

EUROPEAN NEWS

David Housego in Paris and Jonathan Carr in Bonn evaluate the state of the Franco-German relationship after the EMS row

Double delight in Paris, but no thanks

"WHAT FRANCE needs most from West Germany is a pick-up in the German economy," said a senior French official, reflecting on the state of the relationship after the bruising tussle over realignment of EMS parties and the subsequent French austerity package.

In fact Paris was delighted that on the Thursday before the Brussels negotiations of March 19-21, the West German authorities lowered interest rates by 1 per cent. But in the manoeuvring to huddle the West Germans into carrying out a substantial D-Mark revaluation, they got no thanks—only a blunt reference by M Jacques Delors, the French Finance Minister, to their "arrogance." (At that moment M Delors needed to show domestic opinion as well as the Germans that in any bargaining, he was hanging tough).

France took a double delight in the German move, both because in time it should allow French interest rates to come down too and because it should accelerate an economic recovery in Germany.

The French Government blames much of last year's large bilateral trade deficit with West Germany, representing more than a third of the total French trade deficit, on the fact that French GNP expanded in real terms at 1.5 per cent while Germany's fell by 1.1 per cent. As a result, German industry sold in France the goods it was unable to sell

in its own depressed market. In now planning for zero economic growth this year, the French are deliberately keeping a notch below West Germany. But any increase in West German activity would enable them to raise their growth, and hence employment targets, and expand exports.

Now that the dust has settled over the Brussels skirmish and the Germans "did their duty"

Now that the dust is settled and the West Germans have "done their duty," the relationship is seen in Paris as emerging stronger from the test. France has demonstrated its commitment to the EMS and is relieved to see a solidly-based government established in Bonn.

In M Delors' words (he is likewise expecting them to "do their duty" on a number of other outstanding issues), the relationship is seen in Paris as emerging stronger from the test.

It is not only that France has demonstrated its commitment to

the EMS and thus avoided the open protectionist policies that would have been consequent on pulling out. But the French are also relieved to see a solidly-based government established in Bonn.

The Quai d'Orsay points out that the only time since May 1981 that it has commented publicly on an election result abroad was after the recent West German poll, when it welcomed the emergence of a firmly-based majority. The French nightmare had been an indecisive result meaning that for the first time since the war France would have had an unstable partner in Bonn.

Chancellor Helmut Kohl's victory has also been privately welcomed because like President Mitterrand he is firmly committed to maintaining the nuclear balance in Europe and hence to the deploying of intermediate range weapons if the Geneva talks break down.

Paradoxically, French Socialist Governments prefer to see conservative administrations in the U.S. and West Germany because they are more orthodox on security issues. Thus, the French would prefer Mr Ronald Reagan to Mr Walter Mondale because they fear that Mr Mondale could pull U.S. troops out of Europe.

It is this fear of a "decoupling" of U.S. and European security interests that lies behind M Mitterrand's

belief that Europe must look more to its own defence and hence the need for more extensive Franco-German co-operation over security issues. In unveiling to the Germans after October's Franco-German summit previously withheld details about France's tactical nuclear planning, President Mitterrand's aim was to set this process in motion.

He emphasised it again—calling for increased fulfilment of the security clauses in the 1963 Franco-German Treaty of Co-operation—during his speech to the Bundestag in January which the French see as the basic text on the evolution of the relationship.

In the same spirit, the French First Army stationed in West Germany has been taking part in exercises with Nato troops that leave little doubt that the French army would be committed early on in a European conflict instead of being held back to defend the French "sanctuary."

France's economic difficulties equally point towards greater co-operation over weapons manufacture. The French are now trying to interest the Germans in developing a new advanced fighter.

In terms of the EEC, France now expects that her European partners will be understanding about her economic problems. In the German context, that will soon be put to the test by the French demand that West Ger-



President François Mitterrand (left) and Chancellor Helmut Kohl... a bumpy ride ahead, but the pessimists' case is not proven.

many eliminate positive Monetary Compensation Amounts (MCAs)—which, through the subsidies they provide, boost West German agricultural exports. Negotiations over this will be handled by M Michel Rocard, the new French Agriculture Minister who needs to demonstrate his toughness to French farmers.

Apart from the agricultural issue, France will be looking for West German support over the issue of the British budget contributions and an increase in

Community resources. President Mitterrand laid down the battle lines at the Brussels summit.

France is opposed to another interim settlement for Britain and believes that the British demand must be treated in the context of a further increase in Community resources (by marginally raising value added tax) and by off-budget financing of agreed new policies such as the development of energy resources.

Enlightened self interest relieves irritation in Bonn

ON THE face of it, relations between West Germany and France might seem to be going to the dogs. Paris used unusually harsh words about the Bonn Government's initial reluctance to revalue the D-Mark within the European Monetary System (EMS). The two countries also have diverging views on a broad range of European Community (EEC) topics, ranging from agriculture and steel to Bonn's proposed Act of European Union.

Further, the two Governments hardly seem tailor-made for easy cooperation—with a Christian Democrat (CDU)-led administration strongly porting a market economy just confirmed in Bonn and a Socialist-led one, tending towards state planning and control. In Paris, the case of the pessimists about Franco-German ties might seem proven.

In fact, from Bonn's standpoint the reality looks almost the opposite. West Germany's postwar cooperation with France was never easy—neither at the time of the historic friendship treaty of 1963 agreed by President Charles de Gaulle and Chancellor Konrad Adenauer, nor later. Even when the leaders in both countries were personal friends, things did not always run smoothly.

Crucial point

President Valéry Giscard d'Estaing and Chancellor Helmut Schmidt held up to the start of the EMS, which they were chiefly responsible for creating, because of the demands of French farming interests.

The crucial point is that these two countries, formerly arch enemies, have built up so close a network of interests that it would be hard for either to break away without harming itself at least as much as the other.

For senior West German officials (both in government and central bank), this has been confirmed by the EMS realignment and, more importantly, by the French austerity package which followed it. There had been real initial fears at the highest level that France might, after all, break out of the EMS and intensify trade protectionist measures which would quickly spread throughout the EEC. For a time, the seemingly unthinkable looked as though it might just happen.

In the event, the Germans were greatly relieved at the direction taken by French economic policy (even if some officials feel that the 2.5 per cent devaluation of the franc was a bit too small and that some of the anti-inflation steps taken by Paris could have been tougher).

At first sight that seems odd, because Paris's efforts to cut its external deficit will hit, in particular, German exporters, who last year had a DM 17.5bn (£4.5bn) surplus on visible trade with France. But Bonn argues that if Paris succeeds in cutting inflation and reducing its deficit, then in the longer run it will be a still sounder partner, in economic and other fields.

This reasoning amounts to one of enlightened self-interest. The same goes for Bonn's attitude to France's new "Super

Minister." M Jacques Delors. Despite M Delors' tough remarks about Germany's "duty" to revalue during the EMS talks, the Bonn Government is not really irritated.

It has long believed that M Delors' "stability course" is the best for France, it knew that the Minister had opponents in Paris and that it was not helpful for him domestically to be seen as "Germany's darling." It would hardly be exaggerating to speak of a "stability" coalition between members of the Bonn and Paris Governments, existing virtually unseen behind the sharp public statements.

Better chances

The upshot is that Bonn now sees better chances of a convergence of economic performance between Germany and France—and hence less currency strain—than at any time since President François Mitterrand came to power. One cause of the especially big bilateral trade imbalance over the last two years was that the French economy grew more strongly than the German one—sucking in imports. This put the growth gap back like sawtooth, with the German economy gradually picking up steam and the French stepping on the brake.

Even leaving this economic issue aside, the Bonn and Paris Governments are, not as far apart as the labels "conservative" and "socialist" might imply. On the crucial issue of Western European defence, Chancellor Helmut Kohl is clearly more to the taste of the hawkish M Mitterrand than the rival Social Democrat (SPD) candidate, Herr Hans-Jochen Vogel, would have been.

Indeed, M Mitterrand's speech in January in Bonn urging a tough Western stance towards Moscow on nuclear missiles, was one of the biggest boosts Herr Kohl received during the election campaign.

Joint project True, the joint project for development of a battle tank for the 1990s seems to have gone down the drain—and it is hard to see so far where the intensified talks on military strategy, announced by both sides, are going to lead. But in Bonn the will to move towards closer defence co-operation with France is clearly there, fostered not least by the new Defence Minister, Herr Manfred Wörner—a francophile and fluent French-speaker.

None of this means that bilateral friction will soon be a thing of the past. Both countries have new Agriculture Ministers who could well be at loggerheads in the next round of the EEC farm price talks. The Germans want to press ahead faster than the French with EEC enlargement. They also want firmer commitment by the French among others—to cut subsidies to the steel industry.

All that implies a bumpy ride ahead for both sides. But it seems likely to be eased by the recognition that Franco-German ties have just been confronted with a major test and have come through relatively unscathed.

Turkey eases oil rules

BY METIN MUNIR IN ISTANBUL

THE TURKISH Government yesterday published a Petroleum Act designed to encourage foreign investment in the exploration and production of oil in Turkey.

Foreign companies will be allowed to export up to 35 per cent of the crude they discover onshore and 45 per cent offshore and retain revenue from such sales. There are similar provisions for the discovery and development of gas, bituminous shales, and asphaltite.

In addition, the Act permits refineries and pipelines to be built in Turkey and provides

for tax exemption on imports of equipment for oil exploration and production. Joint ventures may also be entered with the state-owned Turkish Petroleum Company.

The first large oil discovery was made in 1940 in the south-east of Turkey, close to Iraq and Syria—where the main oil fields are located. Shell and Mobil are the only majors active in exploration and development in the country.

Annual domestic crude production is around 2.4m tonnes, compared to demand of 10m tonnes.

Portugal railmen face sack

BY DIANA SMITH IN LISBON

THE PORTUGUESE Government has "requisitioned" employees of the state-owned railways who are threatening a six-day strike over Easter. The requisition means they will be dismissed if they refuse to work.

Rail unions are demanding wage increases of about 25 per cent from the financially-crippled corporation and have stopped work repeatedly since January, often in conjunction with the Lisbon bus, tram and underground systems.

Thousands of Portuguese emigrants return by train for Easter from France and West Germany and the Government is trying to have enough staff

working on the railways to keep the trains moving. Emigrants' remittances are a vital element of Portugal's external accounts and at their peak totalled more than \$1bn a year.

If the Government were to yield to the strikers' wage demands it would lose the railways an extra \$100m (£10m) a year, a sum borne with difficulty by a corporation more than 80 per cent in the red.

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EUROPEAN NEWS

CHANCELLOR HELMUT KOHL'S TEAM SWORN IN

Greens boycott Cabinet ceremony

BY JONATHAN CARR IN BONN

THE WEST GERMAN cabinet was sworn in yesterday in a parliamentary ceremony boycotted by the opposition Greens and a few Social Democrats (SPD).

The 27 Green deputies, who have won seats in the Bundestag (Lower House) for the first time, marched out of the plenary chamber in a meaningless show. Some SPD members joined them in protest at the re-appointment of Interior Minister of Herr Friedrich Zimmermann, a member of the conservative Bavarian Christian Social Union (CSU).

When parliamentary debate resumed, the Greens raised a hubbub by calling Herr Franz Josef Strauss, the CSU leader, a "wandering pistolero" fond

of visiting foreign dictators. The comment drew angry shouts both from the CSU and its big-sister party, the Christian Democratic Union (CDU) of Chancellor Helmut Kohl. Herr Strauss, Prime Minister of Bavaria, is not a Bundestag member.

However, despite their tough remarks and unconventional dress (jeans, sweaters and open-necked shirts), the Greens seem in danger of being almost patronised by leading members of the big parties.

Both Herr Willy Brandt, the SPD leader, and Herr Kohl have indicated that, far from seeing a new group as a threat to the system, they believe it to be proof of the vitality of West German democracy.

Speaking after his re-

election as Chancellor on Tuesday night, Herr Kohl spoke fondly of the new, young generation and stressed the importance of environmental protection — one of the Greens' favourite themes.

This approach, in the view of many observers, suggests that the high problem for the Greens in the months of parliamentary grind ahead, will be to preserve their sense of identity and unity once the novelty of their presence has worn off.

In any case, Herr Kohl pointed out that now he had a clear mandate for his centre-right coalition for the next four years, he had more important issues than the existence of the Greens to concern him.

He mentioned in particular the possible deployment of new

U.S. nuclear missiles on West German soil from the end of this year, the "necessary talks" with East Germany's leaders and, above all, the battle to reduce unemployment at home.

The Chancellor's new cabinet shows only two changes from the one he appointed last October — after the overthrow of Chancellor Helmut Schmidt in a parliamentary no-confidence vote.

Herr Ignaz Kiechle (CSU), becomes Farm Minister in place of Herr Josef Ertl (FDP), who had the job for more than 13 years. Herr Heinrich Winkler (CDU) becomes Interior Minister in place of Herr Rainer Barzel who was elected president (Speaker) of the Bundestag.

E. German training for young Poles

By Leslie Collett in Berlin

EAST GERMANY is to give 100,000 young Poles a taste of "socialist education" in its summer holiday camps this year, under a new youth exchange programme.

In return, 35,000 young East Germans will visit Poland, while Polish children and teenagers are also to be sent to the Soviet Union, Hungary and Bulgaria.

East Germany, which initiated the youth exchange, halted tourist travel with Poland in late 1980 after the rise of the Solidarity trade union.

East Germans and Poles still cannot visit each other's countries, except in special cases, since the East German Government remains wary of the mood of the Polish population.

East Germany's Education Minister, Frau Margot Honecker, discussed the exchange this week with General Wojciech Jaruzelski, the Polish leader.

She also had talks with the Polish Minister of Education, Mr. Boleslaw Faron. The East German news agency said one of the main topics was the "socialist education" of youth in both countries and the closer relationship between "school and life".

East German officials have long maintained that one important reason Poles were at odds with all their post-war governments was that young people in Poland were only superficially educated as "socialists".

They noted that the main influences on Polish youth were their largely apolitical families as well as the Catholic Church.

Netherlands to cut short cheap gas deal

BY WALTER ELLIS IN AMSTERDAM

THE DUTCH Government, under pressure from falling world gas prices, has announced that it intends to cut short a contract with an aluminium company guaranteeing it cheap gas until 1997.

Aidel, a company employing 700 workers in the northern town of Delfzijl, is a subsidiary of the Hoogovens steel group. Aluminium smelting is highly energy-sensitive, and the company was assured in 1963 that it would receive cut-price supplies from the nearby Groningen gas fields until almost the end of the century. The guarantee was, in fact, a major reason for both the establishment and the present location of Aidel.

Now Mr. Gijb van Aardenne, the Economics Minister, has said that the arrangement must be renegotiated by 1988. Although the Government recently agreed

to cut electricity costs to major users in order to aid the competitiveness of Dutch industry, the Aidel deal still stuck out, however, as an illogical — and costly — hangover from the days of cheap fuel which is apparently to be brought to an end.

In the Hague, it is felt that the deal, to run until 2008, has to be approved by the West Berlin city authorities, but diversification of the city's energy supplies has long been a West German aim. West Berlin at present is largely dependent on coal and oil products to meet its energy needs.

The supply of Soviet gas will build up over a period of years to as much as 650m cubic metres annually.

decisions must be taken soon on the whole question of gas imports, export contracts, domestic sales and gas pricing. Revenue from gas fell sharply last year. Indeed, the reason why Mr. Herman Rooding, the Finance Minister, wants to cut public spending this year by some Fl 2.5bn (£825m) more

than the Fl 13bn figure already agreed by the centre-right coalition is that revenue from gas last year fell by some Fl 3.5bn.

But while one impulse has been to try to negotiate new export contracts and thus keep gas sales by value closer to their old levels, there is also the long-term question of conservation to consider.

The Netherlands has benefited greatly from discoveries of natural gas. Yet these represent only 1.8 per cent of the world's total supplies and, even if conserved under existing plans, reserves are expected to run out within the next 55 years. The Government believes it has a duty to succeeding generations not to squander a rich resource and constantly balances this moral imperative against the more prosaic need to keep its financial affairs in the black.

Peter Bruce on Italy's independent steelmakers
Bresciani close ranks against the axemen in Brussels

ABOUT 200 of Europe's most efficient steelmakers descended on Milan on Monday, ostensibly to hear Viscount Etienne Davignon, the EEC Industry Commissioner, reply to a report putting their case for fair treatment from Brussels. In fact, the occasion was more a gathering of the clan — the Bresciani — Italy's independent "mini-mill" operators.

Disregarding the principles that put Italy's big, integrated public sector plants on the coast, the Bresciani have installed mini-mills far inland, chiefly around the city of Brescia. While most plants, ranging in capacity from 50,000 tonnes to 500,000 tonnes a year, are in the province of Brescia, Bresciani ownership can extend down to the south.

There are roughly 100 producers, most of whom also make their own raw steel from scrap in electric arc furnaces. Their main products are rods, bar and wire and a small amount of special steel.

Viscount Davignon told them little they had not heard before. The world steel crisis was not a temporary phenomenon. Despite the imposition of production quotas, Brussels was there to help, he said. But there were wry smiles when he suggested they complained too much, since Italy, the EEC's second largest producer, had increased its Community market share from 18.5 per cent to 22.4 per cent since 1977.

"What good is it to take more of less?" one asked.

Italy is due to present the Commission with a third draft of its steel restructuring plan today. The two earlier drafts were thrown back. Brussels arguing that the proposed capacity cuts did not go far enough, especially in the state sector.

If Viscount Davignon believes his real problems lie with the massive overcapacity and inefficiency of Italy's state sector

plants, controlled by Finisider, and not with the independent operators — mostly Bresciani — who last year made up nearly half of the country's 2.4m tonne output of raw steel, he is mistaken.

The Bresciani, who easily outperform any other producer in Italy, are angry about production quotas and have decided to fight back. "Davignon was kidding us yesterday," said one. "We are strong enough and we will not let him cut any more."

The producers around Brescia refer to themselves jokingly as the "Mafia Metallurgica." "There is no violence," said one, "but we look like ourselves." Although about 10 producers have apparently stopped making steel in the past two years, as low pro-

duction quotas have forced them to concentrate on re-rolling, it is impossible to say whether the capacity has not reappeared elsewhere.

There is the story of one steel-roller deciding a couple of years ago to install three electric arc furnaces. After the first had been built, a state-owned producer nearby complained that the aim was to curtail, not add to, steelmaking capacity. Permission to build a second furnace was refused.

The company simply assumed a new name, under which it obtained permission to install another. That, too, was discovered, but too late.

Other plots to circumvent the spirit, if not the law, of EEC capacity cuts, are equally in-

genious. Steel mills shut down have been bought and reopened under different names. Another Bresciani company recently closed two old mills and used its compensation to buy new equipment. Funds were available by Rome to stimulate cut-backs have resulted in at least one producer being paid for scrapping an ageing furnace shut down two years earlier.

"It's better to go bankrupt with Davignon than with the market," says one producer, but another, rather than bend to Brussels' will is shifting all his plant to Africa.

Feralpi, an expanding steelmaker at Lonato just outside Brescia, last year bought in 20,000 tonnes of quota (at L20 per kilo) in an attempt to boost its output legally to around

PRODUCTIVITY IN ITALIAN STEEL INDUSTRY

	Tonnes/employee 1979	1980	Lire m/employee 1979	1980
IRI-Fininvest	143	157	53.9	65.0
Falck and Fiat groups	51	53	45.8	54.4
"Bresciani"	372	415	125.4	138.5
Other mini-mills	181	251	81.4	98.3

Source: Elaborazioni Nomisma de Ricerche e Studi

Source: Elaborazioni Nomisma da Ricerche e Studi

300,000 tonnes of raw steel. This is no longer possible. Until last year production quotas were being allocated even to companies that had closed but surveillance has since become tighter.

In many ways, Feralpi is typical of the Bresciani producers. The plant, set in 1968, is modern, family-owned, employs 500 people and still profitable. Like most Bresciani, it concentrates on long products — in this case, reinforcing bars. Feralpi's "rebar" capacity of 500,000 tonnes a year has been made largely redundant with a quota of only 280,000 tonnes imposed by Brussels.

Sig. Armando Fantinelli, one of the directors, notes with some pride that Feralpi of the Olympic stadium in Moscow contains Feralpi steel. But that other traditional markets have gone since quotas were introduced in 1980. Quotas have forced prices up and cheaper Japanese and Spanish steel has flooded the North African and Middle East "rebar" markets that Feralpi and other Bresciani used to dominate.

In 1977, 40 per cent of Feralpi's output was exported to the Third World. Today, they manage barely 20 per cent. Total exports have declined from 60 per cent to 45 per cent at the same time.

Such is the reputation of the Bresciani that a few years ago rumour in France had it that French rolling stock carrying scrap to Brescia was being melted down as well. SNCF wagons seemed to disappear. The reports died when a French scrap dealer, visiting a supplier in Poland, noticed SNCF wagons nearby being loaded with scrap bound for Brescia.

If the Italian restructuring plan is again rejected by Brussels and if the Bresciani come under more pressure to cut capacity, they will resist. Struggling producers fined by Brussels for exceeding quotas will have their fines paid by other Bresciani companies.

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Indonesia opts for 27.5% devaluation

The currency had previously been allowed to fall

In the 1982-83 fiscal year ended yesterday, the balance of payments deficit on current account is estimated to have reached an all-time high of \$7.3bn. Over the past 12 months, foreign reserves have fallen by almost 40 per cent.

Prof Ali Wardhana said yesterday that the main pur-

Even with the devaluation of the Indonesian economy faces an extremely tough year. Mr Siregar admitted that he expects the current account deficit to remain high in 1983—somewhere in the region of US\$2 billion.

Reger adds: Further measures may be announced before the weekend to follow through on yesterday's.

A senior adviser to the government said measures could include higher domestic interest rates to encourage re-investment in the rupiah, domestic credit restrictions and austerity measures affecting travel and expenditure by government officials.

Mr O'Neill claimed that he and other Congressmen visiting China had not been aware before their meetings with Chinese leaders about how sensitive China was to continued U.S. ties with Taiwan.

"What's number one in one country is not number one in another, on a scale of one to 35 in America, where would it place Taiwan?" he asked.

"It would be hard for me to place it anywhere on the line," he said.

His meetings with China's top officials, over, consumed U.S. arms sales to Taiwan. U.S. moves to tighten import quotas on Chinese textiles and the U.S. ban on the most advanced technology to China.

Shortly before the meeting with Deng yesterday Deng was heard to remark: "The Sino-U.S. relationship peaked in 1979. It is now going up and down, but mainly it has been strategic across."

Speculation that the bishops' allegations might not be reported in the Zimbabwe media proved unfounded yesterday. The Herald newspaper, carried the pastoral letter in full.

It was the first time that the major Zimbabwe newspapers have given publicity to the atrocity allegations. Hitherto, people have had to rely on the foreign media with the single exception of the monthly magazine, Moto.

Marchers unfurled Palestinian flags and chanted: "In fire and blood we will redeem the Gslilee." They placed stone barriers on roads leading to some villages, and Palestinian flags were flown briefly in a number of places.

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AMERICAN NEWS

Argentines get a new look at war on BBC video

BY JIMMY BURNS IN BUENOS AIRES

IN THE SPARTAN rooms of the local Peronist Party headquarters in Buenos Aires last week, a BBC TV news film was shown flanked by two huge posters of Evita - and was enthusiastically received.

"Very objective. It doesn't idolise Mrs Thatcher and it shows us what a mess Gaitieri got us in," said Luis, a militant of many years standing. Next to him, companion Silvia was mute, her eyes streaming with tears - whether out of sadness or rage one could not really tell.

Along with a group of about 100 other party militants - a mixture of students, trade unionists, and old age pensioners - Luis and Silvia had just sat through a showing of "Task Force South," a video film of the Falklands war made by the BBC last year.

Watching the film was an act of political defiance. One year after Argentine troops prepared to invade the Falklands Islands, the question of why Argentina went to war, and why it lost, has not been answered by the military authorities. But in the absence of official explanations, Argentines have only pursued the information with even greater vehemence.

Task Force South gives only some of the answers, but it shows a great deal more than anything we've ever been given here," commented Luis.

Scenes of the huge British fleet sailing from Southampton, the troops training before landing at San Carlos Bay, the battle for Port Stanley, and finally the surrender, are all familiar to a North American or European audience. But for the Argentines, the video offers the first visual confirmation that there was more to the war than the bogus vision offered by the state-controlled TV.

In the heated debate that followed the film's showing it was clear that Luis and Silvia were not the only ones genuinely surprised by the surge of patriotism that greeted the task force as it set sail. "Are those really civilians waving those flags?" asked one of the militants, used to believing that the only demonstration that mattered in the world was the one he had attended in May Square after the islands were taken.

"The most honourable thing that Gen Menendez could have done would have been to shoot his own brains out," said one Peronist. "But perhaps the biggest revelation of the video for those present was in its crude record of the reality of war - prisoners of war being searched, soldiers with their legs blown off, a young surgeon extracting a bullet from a mass of blood. None of this was seen by Argentine civilians last year. On Argentine TV, the British were invisible, while the Argentine conscripts were well-fed, smiling, and always on their way to victory. The Falklands war is now history but the Peronists



Leopoldo Gaitieri

were as shocked as if they had just lived it. "Poor boys, poor boys," a woman kept repeating.

But no emotion, however great, seemed capable of convincing anyone of the justice of the British cause. They thought the BBC had provided a rather sparse background to the Argentine sovereignty claim over the islands. "The Malvinas will be Argentine sooner or later, although before getting into another mess like that we should put our own house in order first," was Luis's view.

Feelings such as these have followed Task Force South in its rounds of Buenos Aires. With the approach of the first anniversary of the invasion on Saturday copies of the film have defied police checks and spread uncontrollably through the streets of the capital.

Once it was only the privileged few - mainly certain military officers and rich Argentine tourists on holiday in the Uruguayan resort of Punta del Este - who could catch a glimpse of the "other side of the war." But today, the "Malvinas show," as the BBC film is referred to by some, has become a social event.

The film is often shown as part of a cocktail party or after dinner coffee. It is also a central part of a "hearts and minds" campaign conducted by multinational companies in the wake of the Falklands war. Faced with a resurgence of nationalism, managers are encouraged to show their workers that the British were not so bad after all.

Interest in the film has predictably provoked an upsurge in video piracy and good business too at the small number of shops in Buenos Aires that hire out video equipment.

Some "show" organisers have managed to get an original copy of Task Force South on a trip to Europe. But the majority, like the Peronist group this week, have opted for the local version. The copy which Luis and Silvia saw had been hired out by the war veterans organisation.

The veterans are angry with the lack of Government help in their search for civilian jobs and with the pitiful "wage" of \$50 they received as a bonus for risking their necks on the islands. They are now offering the BBC film out at \$30 a session.

Foreign exchange report issued

WASHINGTON - A long-awaited study intended to settle a heated U.S.-European dispute over government intervention in foreign exchange markets appears to have come up with conclusions that both sides can claim as a victory.

The study by seven nations, concludes after 10 months of debate that intervention can make a difference in stabilising

exchange rates-but only in cases where a country has simultaneously altered its basic monetary policy.

At the same time, the study asserts that intervention can be more effective if it is done "co-operatively" by the countries involved, even if none of them alters its monetary policy. AP-DJ

BASE LENDING RATES

A.B.N. Bank	10 1/4%	Guinness Mahon	10 1/4%
Al Baraka International	10 1/4%	Hambrus Bank	10 1/4%
Allied Irish Bank	10 1/4%	Heritable & Gen. Trust	10 1/4%
Amro Bank	10 1/4%	Hill Samuel	10 1/4%
Henry Ansbacher	10 1/4%	Hoare & Co.	10 1/4%
Arbuthnot Latham	10 1/4%	Hongkong & Shanghai	10 1/4%
Amro Trust Ltd.	10 1/4%	Kingsnorth Trust Ltd.	12 1/2%
Associates Cap. Corp.	11 1/2%	Knolly & Co. Ltd.	11 1/2%
Banco de Bilbao	10 1/4%	Lloyds Bank	10 1/4%
Bank of Montreal	10 1/4%	Mallinall Limited	10 1/4%
Bank of Ireland	10 1/4%	Edward Manson & Co.	12 1/2%
Bank of Cyprus	10 1/4%	Midland Bank	10 1/4%
Bank of Greece	10 1/4%	Morgan Grenfell	10 1/4%
Bank of Spain	10 1/4%	National Westminster	10 1/4%
Bank of Sweden	10 1/4%	Northwich Gen. Trst.	10 1/4%
Bank of the Netherlands	10 1/4%	P. S. Renson & Co.	10 1/4%
Bank of the Philippines	10 1/4%	Royal Trust Co. Canada	10 1/4%
Bank of the Virgin Islands	10 1/4%	Roxburgh & Co.	10 1/4%
Bank of the West Indies	10 1/4%	Standard Chartered	10 1/4%
Bank of the Caribbean	10 1/4%	Trade Dev. Bank	10 1/4%
Bank of the Pacific	10 1/4%	Trustee Savings Bank	10 1/4%
Bank of the South Sea Islands	10 1/4%	TCB	10 1/4%
Bank of the South Pacific	10 1/4%	United Bank of Kuwait	10 1/4%
Bank of the South Atlantic	10 1/4%	Volkswagen Int. Ltd.	10 1/4%
Bank of the South China Sea	10 1/4%	Westpac Banking Corp.	10 1/4%
Bank of the South Indian Ocean	10 1/4%	Whiteaway Ltd.	11 1/2%
Bank of the South Pacific	10 1/4%	Williams & Glyn's	10 1/4%
Bank of the South Atlantic	10 1/4%	Winttrust Secs. Ltd.	10 1/4%
Bank of the South Indian Ocean	10 1/4%	Yorkshire Bank	10 1/4%
Bank of the South Pacific	10 1/4%		
Bank of the South Atlantic	10 1/4%	<p>Members of the Accepting Houses Committee:</p>	
Bank of the South Indian Ocean	10 1/4%	<p>7-day deposits 7.5%; 1-month 7.75%; Short-term 28,000/12-months 10.1%</p>	
Bank of the South Pacific	10 1/4%	<p>7-day deposits on sums of: under £10,000 7.5%; £10,000 up to £50,000 8.5%; £50,000 and over 9.5%;</p>	
Bank of the South Atlantic	10 1/4%	<p>Call deposits £1,000 and over 7.5%;</p>	
Bank of the South Indian Ocean	10 1/4%	<p>21-day deposits over £1,000 8.5%;</p>	
Bank of the South Pacific	10 1/4%	<p>Remainder deposits 7.5%;</p>	
Bank of the South Atlantic	10 1/4%	<p>Mortgage base rate.</p>	

Dan McCosh in Detroit reports on a trade union's struggle to regain lost ground in the motor industry
Four Americans who could stymie the Japanese

WHEN Robert Mallow, a boiler room operator at the Honda car plant in Marysville, Ohio, convinced three of his fellow workers to join the United Auto Workers Union, he created one of the most elite groups in the U.S. car industry. The UAW currently represents about 800,000 U.S. car workers, including every car assembly plant in the country, except Honda.

Mr Mallow and his colleagues are the only UAW workers in the Japanese-owned U.S. assembly plant, the first such car plant in the U.S., which started operations last November.

The UAW has insisted that the Japanese, who have captured some 20 per cent of the U.S. car market, build local assembly plants to offset the jobs lost in domestic plants. But now that the Japanese are responding, they have given little sign that they want to include the union in the deal.

Toyota's chairman, Mr Eiji Toyoda, created a minor furor recently when he announced that the planned joint General Motors-Toyota operation in California would not necessarily recall employees who had lost their jobs when the former GM plant closed.

Later, a GM executive who headed the negotiations with Toyota said any new contract with the union was subject to negotiations, despite the insistence of Mr Douglas Fraser, the UAW president that he had

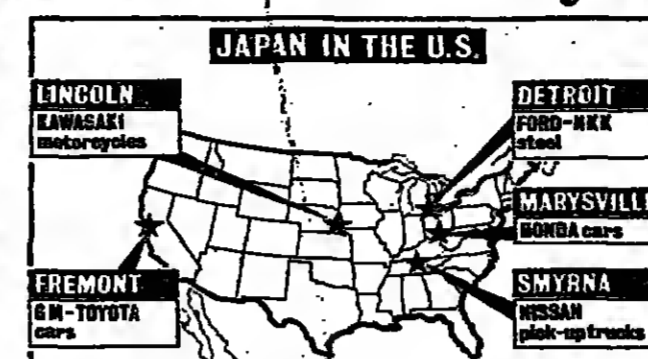
been assured by GM's chairman that the "successful conclusion" of a union agreement was a necessary condition for the joint venture to go through.

Retiring UAW workers is not the only unresolved issue. Toyota is also expected to try to run the Fremont plant in a similar way to its own assembly plant in Toyota City, Japan, where company unions, much less demanding than the UAW, go along with the Japanese paternalistic style of management.

Successfully negotiating such a contract in the U.S., particu-

larly if it involves lower pay and fringe benefits, is expected to be difficult, and some GM executives concede that the deal with Toyota could yet fall through.

At least one other major Japanese joint venture also hangs on negotiations with the UAW. Ford Motor is negotiating with a group of Japanese steelmakers headed



by Nippon Kokan (NKK) to sell Ford's steel-making operations. Ford is bound by a successful clause which says the union will, in effect, be included in the deal if the plant is sold.

The Japanese are insisting that Ford negotiates a new contract with the UAW as a condition of the sale. They are reportedly demanding wages "competitive" with the rest of the steel industry - Ford's steelworkers historically have had higher pay than those in independent steel companies - and the easing of restrictions on subcontracting. Mr Donald Ephlin, UAW Vice President says the negotiations are "strained."

Part of the problem is "cultural," he says, adding that the talks are complicated by the

fact that NKK employed a U.S. labour lawyer who is insisting on "very rigid contract language."

The UAW has already experienced an unsuccessful five-year fight to organise the Kawasaki motorcycle factory in Lincoln, Nebraska, one of the earliest Japanese manufacturing plants in the U.S.

That has been a classic confrontation," says a UAW spokesman. "It has been complicated by the fact that it's in a part of the country that historically has been anti-union."

Regionalism has played a significant part in the UAW problem with the Japanese. The Nissan plant manufacturing pick-up trucks, which opens later this year, is in Smyrna, Tennessee, a state with an

"open shop" law, which means that even if the UAW eventually organises the plant, it is illegal to force all workers to join the union, thus lessening union power.

The GM-Toyota plant introduces another regional factor. It is located on the edge of Silicon Valley, California's home of high-technology computer manufacturing. A car plant is an anomaly in such an environment where relatively few jobs exist for uneducated workers. Wages comparable to heavily industrialised Detroit will be

difficult to negotiate.

But the strongest confrontation between the union and the Japanese is over the fundamental philosophy of management that workers should be part of an industrial "family," and that strong unions invariably introduce unwanted dissension.

"That's baloney," says Mr

Mallow, explaining his sudden interest in joining the UAW after working under Japanese management, despite his approval of the working conditions.

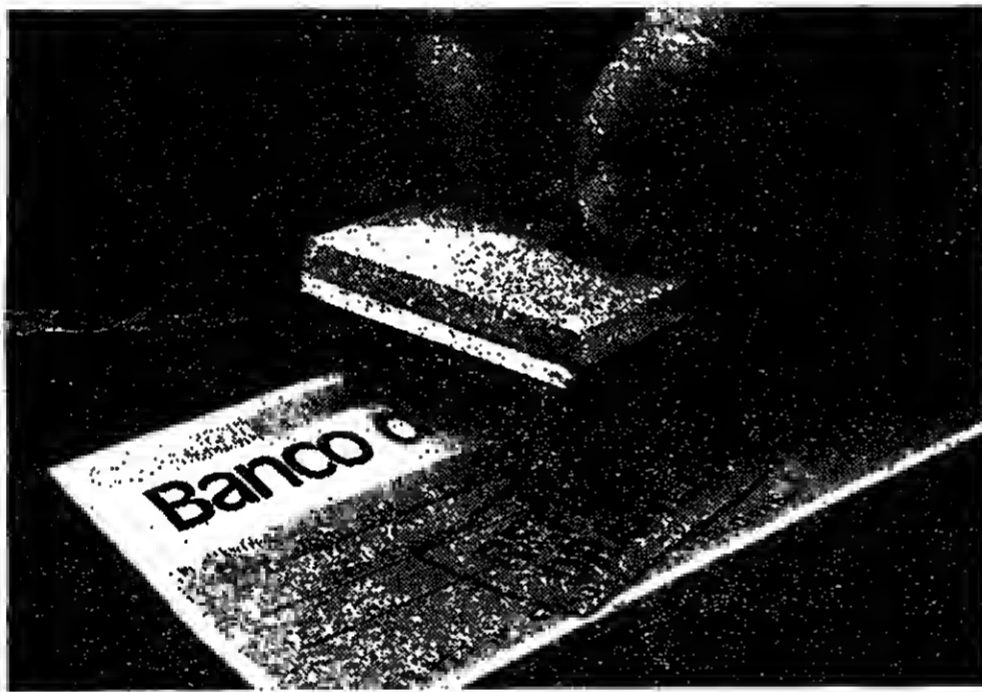
He says that he started to dislike the Japanese style when the management insisted that boiler room workers shared duty with maintenance crews in other parts of the plant. Learning several skills and going to where the work is needed is part of the Japanese style—a method Mr Mallow doesn't specifically argue with. "But they wouldn't pay us the full wage for maintenance work," he says.

Coming from a strong union family background, he says he is different from many of the other workers in the plant, who, he says, have been recruited mainly from school.

Even the four-man union in the Honda boiler room, organised a year ago, has led to a confrontation over efforts to expand the union into the rest of the plant.

The National Labour Relations Board was asked to consider union demands that UAW hats and buttons be allowed in the plant after Honda said they were a violation of the corporate dress code. The hats are worn freely now, but they bring a mixed reaction. "One of our guys wore one out in the plant the other day and got booted," says Mr Mallow.

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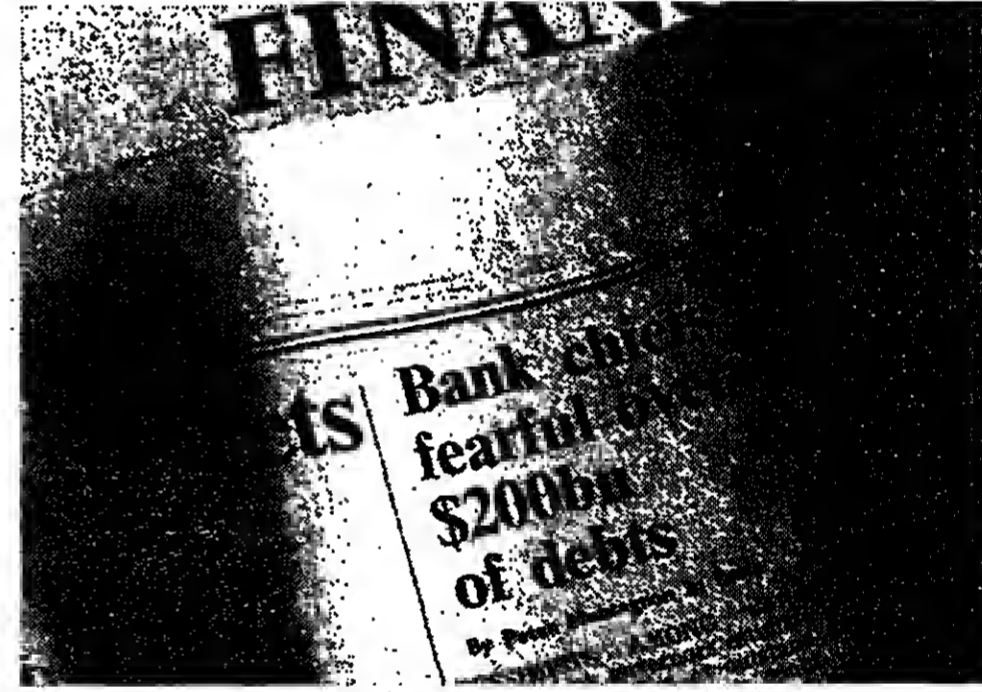
As the world becomes an increasingly risky place for the businessman, so the need for adequate insurance becomes greater.

Overseas governments can get into difficulties just as easily as overseas buyers—and ECGD can protect you against both risks.

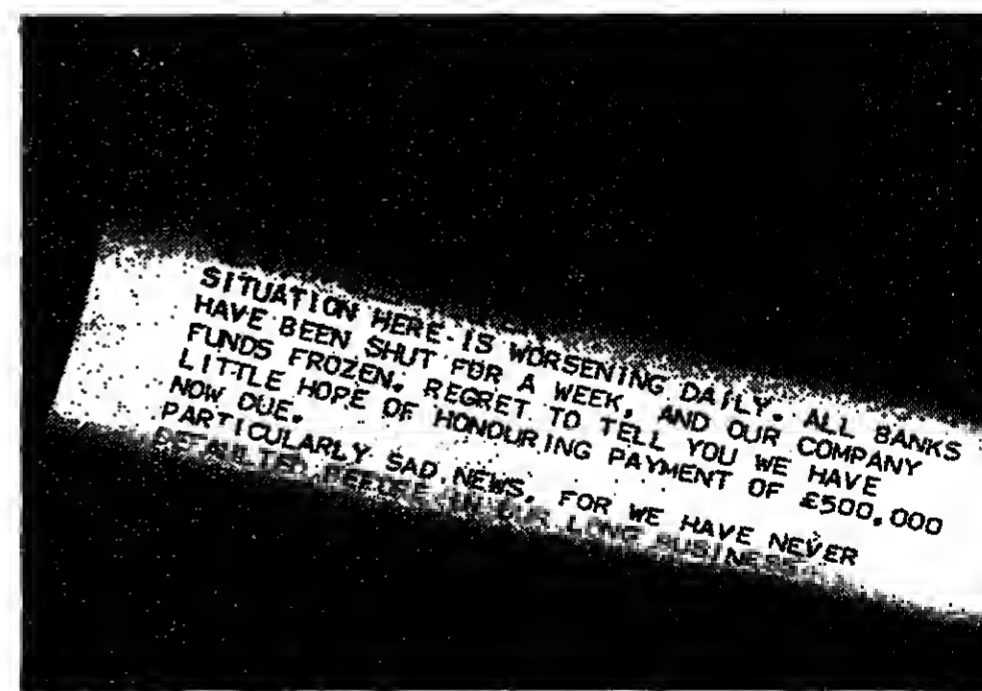
An ECGD policy guarantees you 90% or 95% repayment should the buyer fail or the country get into difficulties and payments be frustrated.

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UK NEWS

Thatcher keeps election options wide open

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET Thatcher, Prime Minister yesterday admitted that the weakness of the pound and uncertainty might affect the timing of the general election. In a radio interview last night she kept open all her election options, but was much more explicit than before about the problems posed by uncertainty over the date.

Mrs Thatcher said that when she came to decide on a date, which was not yet "uncertainty and what that means for our country will be a factor uppermost in my mind." She said the issue would not arise until four years after the last election, which is on May 3. She thought that the dollar would weaken "in due course of time, but we will have to live through the interim."

Her comments are clearly intended to keep everyone guessing,

but they are unlikely to dampen speculation about a June election. Opinion among Tory MPs and junior ministers has swelled around, almost from week to week, between June, October and next year. But after the Tories' second position in the Darlington by-election last week, there seems to have been some revival of talk about June, not least because of worries about unemployment and rising interest rates.

Nevertheless, the majority of the Cabinet, and Mrs Thatcher's stated preferences, still appear to favour October or later, though a decision will not be taken until after the local elections on May 5, and the Cardiff North West by-election, probably on the same date.

The Government is trying to maximise its room for manoeuvre

by pushing through legislation as fast as possible. Only a couple of major bills are still to go through the House of Commons. Treasury ministers are also trying to accelerate the timetable for the Finance Bill so that it could be approved in time for a June election, but Labour will not agree to faster than usual consideration.

In a characteristically ebullient interview, Mrs Thatcher was optimistic about the economy, although she strongly criticised the strikers at the Halewood and Cowley motor plants. She said their actions were "thoroughly depressing."

On the eve of the first anniversary of the Argentinian invasion of the Falklands, Mrs Thatcher appeared to rule out any compromise and reiterated a "fortress Falklands" policy.

Tricentrol group wins Wytech oil stake

BY RICHARD JONES

BRITISH GAS Corporation was yesterday instructed by Mr Nigel Lawson, Secretary of State for Energy, to sell its 50 per cent share of the Wytech Farm oil field, in Dorset, the UK's largest on-shore field, to the consortium led by Tricentrol.

The "Dorset group" - which included also Carless Capel, Clyde, Goni, and Premier - is believed to have submitted a revised bid in the range of £200-250m, compared with up to £500m sought by British Gas. It is based on a complicated formula with an initial payment and the final amount depending on actual rates of output achieved.

Mr Lawson gave the instruction verbally yesterday morning at the Department of Energy to his adviser, Sir Denis Rooke, chairman of British Gas and its full board. He asked that British Gas should proceed with the sale as quickly as possible. But no deadline has been set.

Mr Lawson's order brings to an end a protracted deadlock dating back to the summer of 1981 when the first directive to dispose of the assets, which the corporation most recently estimated, to be worth

£500m, was issued. Sir Denis evidently hoped to hold out until the next general election or the appointment of a new Energy Secretary.

For his part, Mr Lawson has been committed to bringing about a sale before the next general election and before bringing about the disposal of British Gas off-shore oil assets in line with the Oil and Gas (Enterprise) Act which became law last summer.

The other consortium remaining in contention has been the one composed of Rio Tinto-Zinc, Charterhouse and Associated British Foods.

British Petroleum still has the option to match any offer made, and thus, obtain 100 per cent control of the field. But it remains unclear whether it will exercise it.

Wytech Farm at present produces at only 4,000 barrels a day, but could yield as much as 60,000 b/d, according to the higher estimates of British Gas. In practice, the rate reached would depend partly on obtaining necessary planning authorisations needed to maximise output.

Courtaulds link for aerospace

By Rhys David

COURTAULDS, the UK fibre group, is to set up a new \$25m carbon fibre joint venture with the Dexter Corporation of Connecticut in the U.S., in a bid to win a share of rapidly rising demand from the aerospace industry for the material. Courtaulds, one of only a handful of major world producers of the high strength, lightweight material, will deliver into the joint venture its existing carbon fibre and carbon fibre precursor manufacturing facilities in the UK. It has recently invested £2m (\$5m) in new plant aimed at boosting output from the present 200 tonnes per annum to 350 tonnes.

Dexter's 50 per cent contribution to the venture will include a substantial cash sum together with its resin manufacturing operations in the U.S. and its marketing and technical expertise in selling resins for use in the aerospace industry. Part of the funds generated by the deal will be used to enable the new joint company, to be known as Hysol Grafil - the names respectively of Courtaulds carbon fibre and of Dexter's resin products - to build a new carbon fibre production unit in the U.S. based on the new plant now being built by Courtaulds in the UK.

The attraction of the deal for Courtaulds is the greatly improved access it will give it to the U.S. aerospace market, the biggest user by far of carbon fibre composites. The world market for the product stood at 730 tonnes in 1980, rose to 1,751 tonnes in 1982 and is expected to reach nearly 3,300 tonnes in 1985. In recent years the U.S. has accounted for two thirds of world demand with aerospace taking just under half.

Ford peace talks open

BY JOHN LLOYD, LABOUR EDITOR

BOTH SIDES in the three-week-old Ford strike at Halewood, Merseyside, will meet at the Advisory, Conciliation and Arbitration Service (ACAS) today.

The initiative was taken by Acas yesterday after a call for independent arbitration from Mr Ron Todd, senior national officer of the Transport and General Workers' Union. The strike, which began when a

line operator was dismissed for allegedly damaging a bracket, has so far cost Ford £70m.

There is little possibility that it will be settled by conciliation, and Acas will probably try to persuade both sides to allow arbitration, by Acas officials or an independent third party. Mr Todd accepts that the results of arbitration should be binding.

1982 A Record Year for Alahli Bank of Kuwait

PROFITS
UP 54.7% SHAREHOLDERS EQUITY
UP 50.2%

BALANCE SHEET AS AT DECEMBER 31, 1982. 1KD = 3.46 US\$

KD	
ASSETS	
Cash and balances with banks	35,857,967
Money at call and short notice with banks	438,521,274
Treasury bills	85,000,000
Bankers negotiable certificates of deposit	28,353,335
Quoted investments (market value)	
KD63,308,926, 1981 KQ50,873,499	62,320,738
Deposits with banks	95,712,475
Loans and discounts	651,378,000
Unquoted investments	
Subsidiary and associated companies (Note 3)	3,186,934
Affiliated companies and other	10,328,675
Land, premises and equipment	3,000,000
Other assets	23,268,235
TOTAL ASSETS	1,437,928,633
Liability of customers for times of credit, acceptances and guarantees	413,031,842
TOTAL BALANCE SHEET	KD 1,850,960,475

KD	
LIABILITIES AND SHAREHOLDERS' EQUITY	
LIABILITIES	
Demand time deposits and other accounts, including contingencies	1,305,129,481
Certificates of deposit issued (Note 4)	25,876,500
Bonds and other long term debt instruments (Note 5)	2,217,500
Proposed dividend	2,871,000
TOTAL LIABILITIES	1,341,096,481
SHAREHOLDERS' EQUITY	
Share capital (Note 6)	23,925,000
Statutory reserve (including share premium) KQ55,725,000, 1981 KQ35,100,000 (Note 6)	58,575,413
Voluntary reserve (Note 6)	12,788,750
Unappropriated profits	547,988
Total shareholders' equity	96,832,152
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,437,928,633
Letters of credit, acceptances and guarantees on behalf of customers	413,031,842
TOTAL BALANCE SHEET	KD 1,850,960,475

Saoud Al Abdul Razzak
Chairman

Khalifa Yousuf Al Roumi
Deputy Chairman

Husain Makki Al Juma
Managing Director

Abdul Kader Al Seesi
General Manager

STATEMENT OF NET PROFIT AND APPROPRIATIONS

KD	
Net profit for the year after charging expenses, writing down assets, providing for contingencies and for contribution to Kuwait Foundation for Scientific Advancement	10,566,538
Unappropriated profits brought forward	286,857
Total profit available for appropriation	10,853,393
Proposed appropriations of profit	
Statutory reserve	1,056,654
Voluntary reserve	8,288,750
Proposed dividend 12% (1981 10%)	2,871,000
Remuneration of Board of Directors	94,000
	10,310,404
Unappropriated profits carried forward	KQ 542,988

FIVE YEAR RECORD - FINANCIAL RATIOS

	1978	1979	1980	1981	1982
(%)	(%)	(%)	(%)	(%)	(%)
Loans and discounts/deposits	38.8	46.1	41.8	41.9	49.9
Shareholders' equity/assets	5.0	5.6	5.8	5.1	6.7
Shareholders' equity/deposit	5.4	6.2	6.3	5.5	7.4
Net return on average share holders' equity	10.0	9.3	7.7	11.0	13.1
Net return on average assets	0.54	0.49	0.44	0.60	0.78

The Shareholder's General Assembly held on Jan. 25, 1983 approved to increase the Bank's capital to 30 million Kuwaiti Dinars through a bonus distribution of 6,075,000 shares to be provided through a transfer of KD 3,589,000 from the voluntary reserves and KD 2,486,000 from the internal reserves.



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UK NEWS

Banks accused of greed in debt rescheduling

BY OUR ECONOMICS CORRESPONDENT

BANKS ARE strongly criticised by an all-party committee of MPs in a report out yesterday for the "greedy" practice of demanding more lucrative terms when rescheduling the debts of Third World countries. The Treasury and Civil Service Committee says in a report on the international banking crisis that present rescheduling exercises are at present being accompanied by heavy increases in fees and terms, thus enabling banks to treat rescheduling as a profitable activity.

The committee says: "This seems to us a highly dubious practice." It says banks ought to assume that they might not recover the full amount of their loans. This should make them increase provisions for bad debts and, therefore, show lower rather than higher profits. The report points out also that countries facing rescheduling are under duress and have little alternative but to agree to the demands of creditors.

Lord Richardson, Governor of the Bank of England, told the committee that the Labour Party's policy of engineering a substantial depreciation of sterling to promote recovery

was inflationary and unworkable.

He had been asked by Mr Austin Mitchell, a Labour MP, whether the benefits expected from the recent depreciation of sterling might not have been secured by a deliberate act of the authorities rather than by market forces.

Lord Richardson replied that a deliberate policy of lowering the exchange rate by, for example, a big cut in interest rates would have sent out the wrong signals to the markets and raised inflationary expectations.

Mr Mitchell's policies would lead to a resurgence of inflation and conditions which would ultimately abort the aim of reducing unemployment - "then we would be set back on the bad old track."

Mr Mitchell then asked him why it was thought a relaxed fiscal and monetary stance could lead to a recovery of output in the U.S. but not in the UK.

Lord Richardson said although there was evidence of a U.S. economic revival, "the main anxiety and question in the U.S. about the durability of recovery rests on the lax fiscal position of the authorities."

BANK OF ENGLAND QUARTERLY REVIEW
Caution on money aims

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE BANK of England is decidedly cautious in its latest Quarterly Bulletin about the Government's monetary targets for the coming financial year.

It emphasises uncertainties in a year which it believes will experience a modest recovery of the real economy. It says this recovery, aided by a revived world economy - and particularly a U.S. revival - will probably increase industrial borrowing and help to keep bank lending high.

The Bank says the high lending level in 1982-83 has put pressure on the monetary restraint policy, and the money supply grew within the target range partly because public borrowing was £2bn below its original £3bn target.

In its general assessment the Bank says: "Nevertheless, combined with the prospect of inflation being contained at something close to its present rate, the present (economic) background, despite the many uncertainties, should on balance be helpful for the operation of monetary policy."

The new target range of 7 to 11 per cent (annual growth of the money supply) should continue to help moderate the growth of domestic costs, while leaving room to accommodate the likely upturn in the economy.

The Bank, however, also lists the

uncertainties facing the Government.

"The economy is not a system whose future behaviour can easily be predicted," it says in an apparently implied warning that the Government should be prepared to interpret its Medium Term Financial Strategy with considerable flexibility in the coming year.

It warns that, although the inflation rate has been reduced unexpectedly fast in the past 12 months, this was "to some extent due to world events more favourable, from this viewpoint, than can be sustained."

It also indicates some uncertainties about recent demand and output. As consumer demand rose considerably faster than either output or imports in late 1982, sales were partly achieved by a running-down of stocks.

This implies that if stock reductions slow down or end this year, some of last year's unexpectedly buoyant consumer demand would be transmitted into the current year's output.

At the same time, the Bank observes that last year's 8 to 12 per cent target range for monetary growth was lower than the target earlier envisaged. This loosening in March 1982 was made "in view of the apparent change in the relation between monetary growth and nominal income."

The Bank identifies factors which could put next year's target for money supply growth under pressure:

- Any tendency for inflation to accelerate more than predicted;
- Any industrial revival causing an increased demand for loan finance;
- Any further continuation of the structural shift in the relationship between the demand for money and total national income. A reversal of previous shifts would make the target seem lower than intended;
- Any tendency for public borrowing to be higher rather than below its target next year.

The Bank says: "In interpreting developments, account needs to be taken of various changes in the economy which have affected monetary behaviour, and of monetary factors which have affected the source of the economy - interactions which have recently been especially important."

"Careful review is needed at the present juncture, since developments have at several points been unexpected, and the behaviour of the economy thus difficult to interpret."

Consumer demand has been unexpectedly strong; the decline of imports in the second half of last year in face of strong domestic demand - and modest growth of output - was also unexpected.

Rolls-Royce turns in net loss of £134m

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

CONTINUED depression in world airline sales, which has caused a sharp fall in demand for big aero-engines, was chiefly responsible for a net loss of £134m by Rolls-Royce, the state-owned aero-engine manufacturer, in 1982.

In the previous year, the company had a net loss of £3m.

The company's operating profit was £87m, against £126m, in the previous year. But after net provisions for research and development of £131m, and interest of £27m, the pre-tax loss amounted to £91m, against a profit before tax of £16m in 1981. Turnover was £1,480m, against £1,450m.

Lord McFadden, who hands over as chairman of the company to Sir William Dugan, from tomorrow, said the basic cause of the losses last year was the continued substantial fall in available work, particularly on "large fan" jet engines, for civil airliners.

While the longer-established engines, such as the Spey jet, Dart turbo-prop, the Viper and Adour jets "remain substantial and profitable businesses," as did the Pegasus and RB-199 military jet engines, "Rolls-Royce was geared up to produce, in the early 1980s, more than 300 large fan engines of the RB-211 type each year," Lord McFadden said.

"Estimates have been progressively revised downwards and the latest forecast is that less than a quarter of this figure will be produced in 1983. The lack of demand for the large civil engines, a lower than expected requirement for spares, reducing inventories and shorter manufacturing lead times, produced a sharp reduction in work-load in 1982," he added.

"There was a consequent fall in employment, a significant cut in orders on suppliers, and the need for

an additional provision of £25m against inventories in the case of not scheduled requirements."

"When demand picks up, a substantial part of this extra inventory could be recovered but it was deemed prudent to make the increased provision."

Lord McFadden confirmed earlier reports that the company would be further reducing its labour force in the current year, by about 8,000. The labour force was cut by 5,900 in 1981, and by another 7,800 in 1982, a decline of 23 per cent over the two years to 45,000.

To meet the cost of redundancies, the company is allocating £36m, net "restructuring costs" in the 1982 accounts.

Lord McFadden said that despite the difficulties, the company kept within its cash limits agreed with the Government. Apart from funds available to industry in general or aerospace companies in particular (for example, launch aid for new projects) the company estimated that it would not require further financial assistance from the Government.

Lord McFadden held out little hope of any early improvement in the current world civil aviation situation. "With few orders being placed for new civil equipment and with surplus aircraft overhanging the market, the short-term outlook for the aerospace industry continues to be bleak," he said.

"For the next one or two years, the civil aerospace industry is likely to continue to pass through a turbulent period."

"Until the finances of the world's airlines show a more positive trend, orders for new equipment are likely to be pushed as far into the future as possible."

Court order on Laker restored pending appeal

By Raymond Hughes, Law Courts Correspondent

A TEMPORARY order banning the liquidator of Laker Airways taking any further steps against British Airways and British Caledonian in his \$1bn anti-trust action in the U.S. was restored by the Master of the Rolls, Sir John Donaldson, yesterday.

The order had been discharged by Mr Justice Parker in the Commercial Court on Tuesday.

Sir John said his decision to restore the order was only a holding operation until a full appeal could be heard by the UK airlines' appeal against Mr Justice Parker's ruling. That appeal will not come on before the next law term, which starts on April 12.

Sir John said that if Laker took further steps in the U.S. action in the meantime, they might lead to U.S. court orders being made, which could increase the difficulties that had arisen through the courts of both countries being concerned with the Laker litigation.

He said there had been an "understandable misunderstanding" on the part of Judge Green, who is dealing with the Laker case in the U.S., and who has recently been critical of the English court.

He appeared to have thought that the court had dealt with the merits of the Laker dispute, or with the question of which was the appropriate jurisdiction. That was not the case.

Ship prices will rise, says Harland chief

By Alan Watson, Belfast Correspondent

JAPANESE and Korean shipyards could attempt to increase prices significantly during the next 12 months because of growing worries about losses, Mr John Parker, chairman and chief executive of Belfast shipbuilders Harland and Wolff, said yesterday.

Businessmen in shipping reported that management in the Far East said prices now being quoted covered only material costs and between 45 per cent and 50 per cent of wage costs, said Mr Parker.

Nat. Semiconductor and IBM in Scotland

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THE MANAGEMENT PAGE: Marketing

EDITED BY CHRISTOPHER LORENZ

M&S's new products change its image

David Churchill explains how the UK retailer widens its appeal

AT ABOUT 10.30 on most mornings, executives at leading British retailers Marks and Spencer, become a little twitchy every time the phone rings. Their concern is for a possible call from the chairman or other senior directors who may have just popped into the company's Marble Arch store — a few hundred yards away from the London headquarters in Baker Street — to see how a new product launched that morning is going.

So sensitive are M & S's top executives to customer response that they can tell virtually within minutes, simply by unobtrusively watching shoppers, whether or not a new product is going to be a success or failure. Although they will give the product a couple of weeks or so before taking a final decision, nine times out of ten it is the first impressions that are spot on — and they do not hesitate to let the responsible line manager know.

It is this commitment at the highest level to new product development which is one of the key reasons why M & S has surged so far ahead of other retailers in the past few troubled years and developed from being merely a good retailer into probably the best in the UK. Since 1979, sales have increased by 49 per cent to reach £2.2bn last year, while over the same period pre-tax profits grew by 37 per cent to reach £222m.

What is of even more significance is that about half the annual sales come from new product areas which have emerged in many cases over the past five years, such as food, home furnishings, gifts, books, plants, and cosmetics. In fact, within a relatively short period of time, M & S has transformed itself from simply a good, but middle of the road clothes retailer into a large chain of mini-department stores.

The company does not have a

specific new product development department. Instead, explains Duo Traugott, head of the homewares division, "it is the responsibility of the whole buying and merchandising team."

M & S is structured into three trading groups: textiles; foods; and homewares. This latter operation, although the smallest within the portfolio (it has sales of some £300m a year, compared with about £750m for food, with the balance from textiles), is the one where most of the growth is likely to emerge.

Homewares is itself broken down into three sectors — covering footwear and accessories; home furnishings, and gifts — which each have sales of about £100m a year.

The organisational structure for each of these three sectors is a senior executive backed up by two merchandisers (or brand) managers and then several selectors (the M & S term for a buyer). Ten senior selectors cover the three groups, but the food operation has about 16 senior selectors.

Potential

New product ideas are generated in two ways. Firstly, by the "organic route," whereby new products are developed out of existing areas — a new flavour of quiche, for example, or a new kitchen utensil. "This is the safer route," says Traugott, "and we know how to do it well."

On the home furnishing side, the strategy is to develop products based on rooms, mainly kitchens and bathrooms so far. M & S has just launched a new brass kitchen clock range, for example, taking its kitchenware a stage further than simply utensils and tablecloths.

The second growth route is by going into totally new areas. Here, says Traugott, the problem is not so much the ideas as isolating those with potential. All the company's executives are expected to be aware of potential new product ideas when they travel abroad; Traugott himself makes special trips to the U.S. Photo-frames, for example, was an idea picked up from the U.S. and is now a major selling item.

Other ideas come from suppliers. Paul Hemlyn's Octopus Books, which produces the M & S book range, came up with the idea of selling "fun" stationery. It has subsequently become one of the company's fastest-selling lines.

Traditionally, M & S lays down very tight specifications for its suppliers to follow. However, when it goes into a new product area its problem is that it often does not have sufficient expertise to be so specific.

The approach in these cases (such as its recent move into clocks) is to identify the major manufacturers and find one that is prepared to work closely with the company and meet its exacting standards.

In established areas such as cosmetics, the selector would be experienced enough — and have sales figures to back him up — to specify not only the colour and tone, but also the raw materials used. M & S has its own packaging and design specialists to help work out the best packaging for each product.

In other established areas, such as foods, the company is usually a far more dominant taskmaster: it has its own cordon bleu chefs who will try out various combinations of dishes and employs some 70 food technologists — a much larger number than usual for a food retailer — to examine the methods of producing any new dish. (Part-baked potatoes, for example, are based on a technological breakthrough which took an M & S scientist three months to achieve.)

Manufacturers are normally only too willing to help M & S get a new product right, knowing that if it sells well a new market will be opened up and they will have a clear edge in supplying it.

Not all manufacturers are so keen, however. The major British pottery producers declined to make ceramic products for Marks. It went to the Far East for supplies — now the British manufacturers are trying to win the custom back.

Yet probably the most crucial aspect of M & S's new product philosophy is the way in which it sorts out the winners from the losers. Conventional mar-



M & S's failure rate with new products is much better than the average for consumer goods. Ideas come from different sources: the brass wall clock was an internal idea; the writing paper was suggested by M & S's book publisher.

keting theory has it that new products should be rigorously tested before a launch, utilising both quantitative research (how many people are likely to buy this product) and qualitative research (what does a typical group of consumers think of it).

M & S eschews both these means of market research. The main test for any new product comes in the hardest place of all: in the store. Unlike other retailers and manufacturers it is in a unique position in that it can both develop the new product (with supplier help) and then try it out in its own stores. Other manufacturers tend to do more research, while most other retailers are dependent on new product ideas coming from the manufacturers themselves since they sell mostly branded goods. (All M & S goods are sold under its own brand name of St Michael).

Extensive

M & S has learned the hard way about the value of market research with its cosmetics range. This was launched in the mid-1970s with the aid of some market research which suggested a comprehensive range of cosmetics should be sold. But it was eventually found that some 80 per cent of the sales were coming from only 15 per cent of the product range; the

Direct response advertising

Low prices at prime time fuel growing discontent

THE WHOLE area of direct response marketing, from mail order catalogues through to the glossy ads in the Sunday colour supplements, has been particularly hard hit by the recession. So it might seem a peculiar time for a TV station to choose to launch itself as a medium for direct response advertisers.

Indeed, the whole area of direct response advertising on TV is currently the subject of a heated debate between the ITV contractors and the advertising agencies.

At the end of January, London Weekend Television dipped its toe into the contentious waters of TV direct response advertising for the first time with two campaigns on Channel Four in the LWT region for a James Galway record, produced by K-Tel, and an educational package, "Up to Ten with Mr Men."

Both of these campaigns are running on a payment by results, or PI (per item), basis. This means that the TV company sells the original airtime at a low rate and is then paid a commission on each sale that results from the advertising.

A classic example of this selling technique is the Richard Claydeman album being offered by Tellydisc. According to figures produced by Media Expenditure Analysis Ltd, Tellydisc bought the equivalent of just over £4m worth of airtime to promote Richard Claydeman on TV. With long ads running in prime spots like the middle break of News at Ten, any normal advertiser would have had to pay something approaching £4m for this exposure. But Tellydisc paid only about £1m for the same exposure, although it will have paid out extra money relating to the sale of the album.

Jim Shaw, sales director of Thames Television, says that 30 per cent of sales is the kind of cut he is looking for from record advertisers who use the PI approach. He admits that at the moment his company will not make as much money from a PI advertiser in a peak spot on ITV as it would from a regular advertiser. "But if the rate of improvement of sales were to continue, it is conceivable this might change," (Thames is also looking for



James Galway: pulling in the pounds for K-Tel

additional income from exploiting the lists it collects of names and addresses of purchasers.) Channel Four, though, is different. "We are earning more money from direct response advertisers on Channel Four at present than we are from regular advertisers," says Shaw. "The direct response advertisers pay the same rate, but they are also paying the PI rate."

What the advertising agencies object to is not so much the LWT type of experiment on Channel Four, or outside peak time on ITV, but the use of highly sought-after times at very low prices with no possibility of pre-emption — the mechanism which applies to the sale of all other airtime and which means that any given spot goes to the highest bidder.

The agencies maintain that whereas a 90 second fixed spot in News at Ten on Thames might cost an ordinary advertiser £25,000-£30,000, the PI advertiser gets it for £800. And this advertiser is immune from pre-emption.

This dispute is currently being discussed by the Advertising Liaison Committee (ALC) of the IBA — a body set up to try to sort out these kinds of disputes through discussion and compromise. The offering of a PI rate is a business development play by the TV contractors, and is something of a gamble since the return they get is based on sales, not on the demand for airtime. "By virtue of the number of people who want to talk to us, I must presume that it works," says Clive Leach, managing director of Link Television and chairman of the ITCA marketing committee.

He says that no changes are likely to be made as a result of the discussions at the ALC but adds: "We are constantly reviewing the things we do and we may decide on a slightly different way forward."

Some commentators are convinced that direct response advertising on TV could not work if the advertiser had to pay the full cost of the airtime. "It is highly dubious whether direct response will ever be viable at full rates," says Ray Morgan, media director at Benton and Bowles. "It is asking too much of a screen to parade the wares with sufficient clarity. You can give so much more information in the Press."

And in the Press the direct response advertiser pays the same rate as everyone else. Many of the famous names of Sunday colour supplement advertising found the going tough last year — Scott and R. J. Wilshire were sold off by Contrails and Brown and Jackson respectively. W. H. Smith's Kaleidoscope laid off a quarter of its staff — and according to one survey the volume of ads in the colour supplements fell by 32 per cent in the last quarter of last year over the same period of 1981.

Optimists and futurologists look to the advent of armchair shopping via the TV set and an interactive cable network and say that direct response advertising on TV is the medium of the future. At present direct response accounts for 2.5 per cent of airtime (according to region) and is clearly not likely to take over from the supermarkets in the short term.

Chris Davies, managing director of the Aspect advertising agency, believes that direct response on TV can work. He quotes a campaign his agency ran last year for Alpine Double Glazing: "We had a TV campaign followed by a Press campaign, and we knew from experience exactly how well the Press ads ought to do. The TV ads weren't very successful in response terms but the image and awareness surveys were good. But the TV campaign had a stunning effect on the subsequent Press response. I believe that linked TV and Press ads is the way that it will go."

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Dated this 25th day of March 1983.

P. W. J. HARTIGAN, Liquidator.

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ECONOMIC VIEWPOINT

Common sense on interest rates

By Samuel Brittan

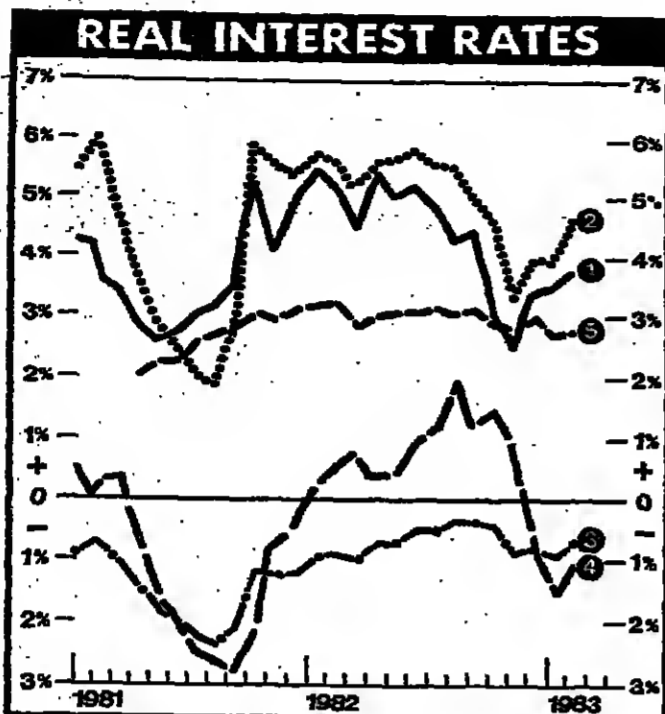
THROUGHOUT THE political spectrum and on both sides of industry, there reigns the belief that real interest rates are (a) very high, (b) can be reduced by monetary policy, and (c) must never be raised except in times of severe crisis.

The last point is particularly relevant as there is a better than even chance that British interest rates will have to rise before we are all much older. The easiest way to make the case is to look simply at the risk to sterling if U.S. interest rates rise and British rates fail to follow. Mr Donald Regan's denial of "any sound reason" why short-term interest rates should rise merely makes one suspect that the pressures for a rise are pretty strong.

For it does seem that with the economic recovery now taking place in the U.S., the period of benign neglect of the monetary aggregates by the Fed is over. The overshoot of the U.S. monetary indicators can no longer be explained, except to a small degree, by technical changes in the banking system; and the Fed will be less and less willing to gamble on last year's fall in velocity continuing. While the U.S. Administration is running a \$200bn budget deficit cheap money will be difficult to achieve in the U.S. or anywhere else, whatever U.S. Treasury Secretary Regan may proclaim.

But it is helpful to broaden the case by considering the mix between monetary and fiscal policy. Some years ago when the fragility of Britain's external position appeared, I pointed out that in conditions of general confidence, a high budget deficit could actually raise the real rate of exchange. For overseas funds would be attracted to finance it; exchange rates would rise and the balance of payments would show a current account deficit offset by a capital inflow: all the conditions required to intensify de-industrialisation.

The association of a large budget deficit with a strong currency seemed far-out and implausible to many people when it was first put forward. But it is now almost orthodox. One of the main themes of the last U.S. Council of Economic Advisors Report was that the U.S. budget deficit was raising interest rates and that this was strengthening the dollar, with



- 1—One-year interbank deposit rate, minus the expected rate of retail price inflation over the following year.
- 2—The London clearing bank base rate, plus 1 per cent, minus the expected rate of inflation.
- 3—As line 2, but with adjustments to allow roughly for the deductibility of interest payments for corporation tax purposes and for taxation of corporate income.
- 4—The building society ordinary share rate, net of tax, minus the expected rate of inflation.
- 5—The gross real redemption yield on 2 per cent Index-Linked Treasury Stock 1986.

adverse effects both on U.S. commercial relations, especially with Japan, and on the hard-pressed steel, auto and machinery manufacturers, struggling with foreign competition. The CEA advocated a reduced budget deficit, which would enable interest rates to be lower without letting up on the counter-inflationary struggle and which would also lead to a lower dollar. "Under fixed exchange rates, budget deficits crowded out domestic investment. With a floating exchange rate they crowd out exports and import-competing products as well."

These arguments apply when a currency is too high for comfort. Sterling on the other hand has fallen more than enough

for the time being and is too low, rather than too high, despite yesterday's partial recovery.

The March Bank of England Quarterly explains that the earlier decline in sterling in 1981 had an abnormally low inflationary impact because import profit margins, which had been very high, contracted sharply. But the Bank is less sure that this experience can be repeated. "Sterling has fallen by more against the main continental currencies than against the dollar since last autumn, and a stronger UK domestic market may encourage foreign suppliers to resist further compression of their profit margins. If, then, it is desirable to put

a brake on the fall of sterling the opposite change in this policy mix is required to that recommended for the U.S. That is, a somewhat larger budget deficit than planned may be accepted provided that it is combined with higher interest rates.

The Chancellor has hinted that he would take no action against a modest budgetary overshoot, and his instinct there is right. But it has to be balanced by a readiness, and a readiness on the part of his neighbour at No. 10 Downing Street, to see interest rates rise if necessary. Otherwise inflationary risks may be run.

What of the argument that, as the monetary aggregates are within the Government's target ranges, no interest rate tightening is needed? The quality of the information conveyed by the aggregates is not beyond suspicion. Both the disparity between the credit and the monetary figures and the effect of "overfunding" as an instrument of control raise at least a few questions. Even if the monetary numbers were perfect, they would still need to be considered together with the exchange rate. Just as a higher than expected exchange rate is an argument for monetary relaxation, a lower than expected exchange rate is an argument for some tightening.

The belief that real interest rates are very high is too deeply embedded to be easily shaken. The Bank of England Bulletin has nevertheless been conducting a quiet campaign to show that for many borrowers the effective real interest rate is low or negative. The accounts of the Bank of England, published last week, show that the effective real interest rate is low or negative. The accounts of the Bank of England, published last week, show that the effective real interest rate is low or negative.

The only measures which show reasonably high real interest rates are those which relate overdraft or interbank rates to the expected rate of inflation (the latter is derived from 12-month forecasts by non-government forecasters).

The line which is consistently negative is based on the real overdraft rate, but is adjusted to take into account the impact of corporate taxation including the deductibility of interest payments for corporation tax purposes. At no time since 1979 have real interest rates been

positive for the representative corporate borrower subject to the margin to corporation tax. The expected inflation rate used for these Bank of England corrections is derived from short-term forecasts. For the longer term the market's view of expected inflation can be estimated by comparing the yield on indexed gilts with that on comparable conventional stock. The Bank of England's calculations are reproduced in the table. But I suspect that the relevant marginal holder is the non-tax paying gross fund and that the high coupon stocks are least distorted by the non-taxation of gilt-edged capital gains. Moreover, I should have preferred long-dated stock to that expiring in 1987-88. The expected longer-term inflation rate is probably in the 6 to 8 per cent range.

There is another matter on which the Bank of England Bulletin throws interesting light, namely what has happened to real personal disposable incomes, a subject on which there has been some confusion. On the one hand, we have heard that pay has continued to rise faster than prices, for those people who have jobs, thus contributing to unemployment among the rest. On the other hand, there have been reports of personal living standards falling since the Conservatives came to office.

The main reason for the discrepancy is that because of the fall in the number of jobs total income from employment has fallen (measured in 1975 prices) from nearly £25bn in 1980 to just over £22bn in 1982. Receipts from social security have risen from nearly £13bn to over £15bn, not enough to make up for the shortfall in

employment. There has also been some increase in the tax-take and some fall in income from self-employment, the latter probably exaggerated because of statistical under-recording. The decline in total real personal disposable income has in turn had important implications for the savings rate.

When total real disposable income falls, a smaller proportion of it is likely to be saved in the short term, and according to the Bank of England this effect accounts for a further 2 percentage points of the total fall in the personal savings rate which dropped from a peak of 16 per cent in 1980 and an average of perhaps 12 per cent to a low of 9 or 10 per cent in the last quarter of 1982.

These changes in the savings rate have much greater effects on consumer demand than any budget; and what happens to it is crucial for the economic outlook. The Bank says nothing on the future, but the Treasury in the Red Book assumes a modest recovery in the savings rate, say to 10 or 11 per cent, still much below the recent average.

In the absence of any genuine ability to predict the course of savings, automatic adjustment mechanisms are vital. The most important of these mechanisms is the interest rate, which affects not only domestic saving and investment but capital inflows from overseas. This makes it all the more important for the interest rate to be left to move in whatever direction is required by monetary policy—whether that policy has a money supply or exchange rate guideline, or some mixture of the two. What we cannot afford is a political view of what interest rates "ought" to be.

IMPLICIT INFLATIONARY EXPECTATIONS*

Rate	1982	1983
Low coupon	41	42
High coupon	41	42

*Obtained by comparing the net yield on 2 per cent Index-Linked Treasury Stock 1986 with the redemption yield on 3 per cent British Treasury Stock 1986. (1) Low coupon; (2) High coupon; (3) Index-Linked Treasury Stock 1986.

Lombard

A policy for refugees

By David Buchan

UK immigration policy once again smacks of arbitrary inconsistency. This week the Home Office defended its recent deportation of a Romanian illegal immigrant back to almost certain imprisonment in Romania, and at the same time allowed some 30 Poles who jumped ship at Tilbury to stay for a year while their pleas for asylum are considered.

The case of Mr Stanescu Papusoiu, the Romanian bundled back to Bucharest after eight months detention here, is tragic. He had already served frequent spells in Romanian jails for trying to leave that country without permission. He is now said to be in hospital, recovering, according to the official Romanian press, from beatings by British warders—

which the Home Office totally denies. But jail is likely to be his final destination again. The Romanian authorities have given Britain no thanks for his return. Rather, they claim cynically that, had Mr Papusoiu had much education or skills (he did not), Britain would have kept him. They have indicated they see the British action as confirmation that western countries operate their immigration policies in favour of the educated and skilled, and thus as justification for Romania's new law on educated emigrants.

This is perverse nonsense, but highly embarrassing for Britain, which recently joined its allies in condemning the Romanian emigration law. The Foreign Office was notified, routinely, of Mr Papusoiu's arrival on British soil last year, but was not consulted on his deportation, purely a Home Office decision. The British embassy in Bucharest learnt about the deportation on the BBC, after it had taken place. As for the Tilbury Poles, they have been given leave to stay because the Home Office decided, very reasonably, they could not have known while their ship was on the high seas of a March 9 change in UK policy. On that day, Mr William Whitelaw, the Home Secretary, announced that, while Poles caught in Britain at the time of martial law have been allowed to stay on 12-month visas, henceforth Poles arriving in the UK would be expected to return "in the normal way."

But the contrast between these two cases shows how British immigration practices correlate, to put it crudely, with cycles in political fashion. Generally, East European refugees have had a better deal than most from Britain since the Second World War. Curiously, this has changed under the staunchly anti-communist Thatcher Government.

In 1979 37 per cent of people from the Soviet Union, Czechoslovakia, Poland, Romania and Hungary applying for refugee status or asylum got it. By last year this proportion sank to 11 per cent, while the ratio of successful applications, from all refugees, rose to 56 per cent. The Home Office uses as its yardstick the United Nations definition of a bona fide refugee: someone who has "a well-founded fear of persecution on grounds of race, religion, nationality, membership of a particular social group or a particular political opinion." This is designed to weed out those who simply come here in search of a higher standard of living.

This distinction between "political" refugees (whom Britain should take in) and "economic" refugees (whom it has no reason to) is useful, even essential. But it is badly blurred, in the case of East European refugees, by the policies of governments there.

They discourage legal emigration by firing those who apply to leave from their jobs or by setting prohibitive taxes. They make illegal emigration a felony. Most to the point, they are very hard on those returned to them. The Home Office says it is aware of this, deplores it, but cannot admit people simply because they would be persecuted if they returned. True enough, though it is a moot point where a well-founded fear of persecution becomes a well-founded fear of persecution.

Britain, with its allies, has put the focus of the Helsinki accords review conference on human rights, including condemnation of Eastern European emigration policies. But at the same time it must make sure British immigration policy is above reproach. That means a policy that is consistent, coherent and humane.

Letters to the Editor

Rise or fall of real incomes

From Mr C. G. Trinder

Sir,—The assertion that real wages have fallen sharply since 1979 is widely repeated. It all depends, however, on which figures one considers. The evidence cited in the Financial Times (March 23), was for the commonly used example of a full-time male manual worker and the increase in gross pay 1981-82/1979-80 for this type of worker was estimated from Department of Employment earnings surveys as 27 per cent. An alternative source of wage data is the National Accounts. Using the evidence from this source it can be estimated that gross earnings per head of all employees (manual and non-manual, men and women) were on average 32 per cent higher in 1981-82 than in 1979-80.

Real net earnings are calculated by allowing for deduction of income-tax and national insurance contributions and for the rise in prices, but these

figures too can be derived from more than one source and based on a variety of different assumptions. The married male manual worker with a 27 per cent increase in gross earnings and with two children (assumed to have no income-tax allowances or reliefs other than the personal allowances) experienced a fall in real net earnings of 51 per cent 1981-82/1979-80. The full National Accounts data is only available for calendar years and the latest information is for 1981. It shows the total amount of income-tax and insurance contributions actually levied on exports and imports cannot be estimated using this source that after allowing for deductions from gross pay and the rise in prices, real net earnings in the economy as a whole were on average 1 per cent higher in 1981 than in 1979.

C. G. Trinder, National Institute of Economic and Social Research, 2 Dean Trench Street, Smith Square, SW1.

Courts' attitude to creditors

From Mr R. Wright

Sir,—Justinian's article in your edition of March 21 might give the impression that there has been a radical change in the attitude of the courts to creditors endeavouring to obtain speedy judgments on debts where there is no defence. That may be the case in relation to large debts where the decision of the Court of Appeal in *Sumner v. Pugh* and *Bank of India v. Bank of England* will be of considerable assistance to creditors.

However, the vast majority of debts which are sued for involve sums of under £500, and it is here that the courts are manifestly failing to do justice to creditors. I need only mention two points, namely (i) it is not possible to issue Order 14 proceedings or proceedings for Summary Judgment in the County Court for sums involving less than £500, and (ii) no interest accrues to a Judgment creditor on a County Court Judgment.

I have remonstrated with the Lord Chancellor's Department on both these points. Their answer in relation to the first is that if creditors were able to apply for Summary Judgment

on small debts, they might well abuse this right. It is difficult to see how creditors could do this. The only way in which they could be heard by the County Court Registrar who one would have thought was more than capable of ensuring that no abuse took place. The answer on the second point is that the courts are incapable of handling the necessary administration. In fact, although the Supreme Court Act 1981 made provision for interest to be awarded on County Court Judgments where the amount of the judgment was £2,000 or more, that provision is not as yet in effect. This defect is one of the reasons why, although the County Court jurisdiction is now £5,000, creditors still go to the High Court for sums over £500. On a High Court Judgment interest will be obtained.

In short, the position of creditors for small amounts is unsatisfactory. It is still a debtors' world, at any rate where the amount involved is under £500. R. Wright, Wm. F. Prior and Co., Temple Bar House, 23-25, Fleet Street, EC4.

Medical pie in the sky

From Mr J. Neil Shaw

Sir,—On Page 9 of your issue of March 23 two Dawsons, of your Labour Staff, commented on the discounted insurance rates which are currently being negotiated by the Government with three leading Medical Insurance Providers.

Apparently Mr Peter Jones, Secretary of the Council of Civil Service Unions, states that the negotiating and offering of a heavily discounted medical insurance scheme to the entire Civil Service "is an insult to civil servants, most of whom would be unable to afford subscriptions." As a long term individual subscriber to various medical benefit schemes, I consider that the offering of highly discounted schemes to any group of persons is an even greater insult to those persons who joined such schemes many years ago and who have seen their individual subscriptions in some cases more than doubled in the space of 12 months to levels which are now so high that by the time retirement age is reached—the time when such schemes are more likely to be needed—these long term subscribers are virtually "frozen out" of the protection for which they have subscribed so heavily. I understand that the general running costs of one medical insurance fund absorb 10 per cent of the total subscriptions

and that 85 per cent of the subscriptions are consumed in claims settlement (with 5 per cent being placed to reserve). On such figures how can the heavy discounts known to be on offer be justified—unless the relentless increases in charges to long standing individual subscribers are INTENDED to induce those persons approaching the twilight of their lives to "get lost."

In the writer's opinion it is time that all subscribers to these medical schemes, whether "individual" or "group," read the rating tables very carefully (if such have been supplied) and note the effect on their individual pockets once retirement age is reached. J. Neil Shaw, 21, Toy Lane, Macclesfield, Cheshire.

In favour of peace

From Evelyn Ratcliff, Sir—Your correspondent Major General Rowley Mans (March 22) dismisses as "absurd" an implication that the British Government is not in favour of peace.

Ministers in the Government repeatedly tell us that they support multilateralism as against unilateral disarmament. Bearing this in mind the ordinary citizen is surely entitled to ask why, at the current session of the United Nations, Britain voted against the demand for a freeze

Cheapest way to decentralise

From Mr L. Paul Davison

Sir,—I note in Ray Maughan's property feature (March 25) that he refers to considerable savings in decentralisation quoting an approximate figure of £50 per sq ft in the City (inclusive) to "as much as £20 less outside London." He balances that fact against "the hassle of relocation of existing staff and recruiting and training new staff, to replace those who will not move." However, there is of course "local decentralisation," and in moving from the City, 4 miles down the road to Stratford—East London's Commercial Centre—the inclusive rate is less than £10 per sq ft and there is a great deal of modern and refurbished office accommodation in the area.

Lingering on at TV-am

From Virginia Matthews

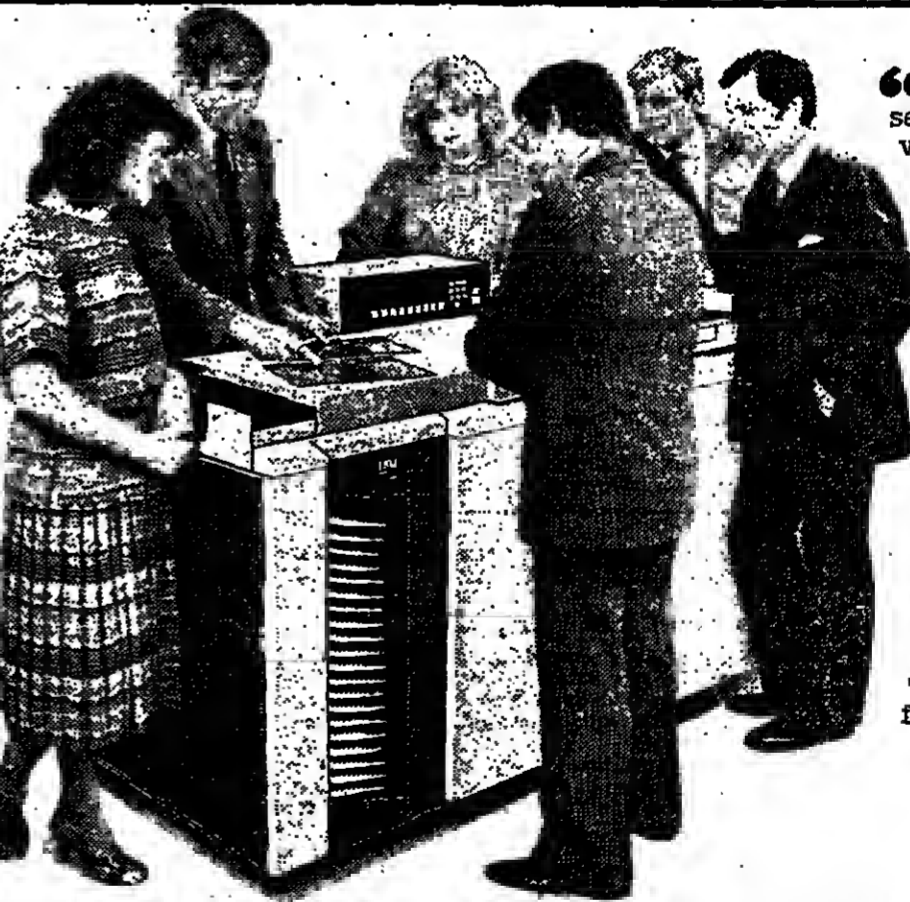
Sir,—It looks like the ghost of Peter Jay lingers on at TV-am. Raymond Snoddy (March 25), having said confidently that Jonathan Aitken wasted no time in stripping the chief of Jay's memorabilia, a glance at the accompanying picture shows only too clearly that Jay remains at least in spirit. Or has Aitken kept the "Peter Jay—Our Man in America" poster just to show there are no hard feelings? I think we should be told. Virginia Matthews, 34 Grove Park Road, Chiswick, W4.

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FINANCIAL TIMES

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James Buxton interviews the chairman of Milan's Nuovo Banco Ambrosiano Unravelling Calvi's tangled legacy

"WE ARE not worried by these lawsuits. We consider them quite groundless and we will contest them. But they disturb us because they hurt the image of the new bank and affect the morale of the staff that is trying to build it up."

Sig Giovanni Bazzoli, chairman of Nuovo Banco Ambrosiano, looks remarkably calm for the head of a bank which in the next few days is likely to have received writs from about 80 foreign banks at the bank's headquarters just behind La Scala in Milan, but Sig Bazzoli reacts more with sorrow than with anger.

Nuovo Banco Ambrosiano was formed last August immediately after Banco Ambrosiano, run by the late Sig Roberto Calvi, was declared bankrupt and put into liquidation. The aim was to keep in being the Italian bank with its strong base in Northern Italy, pay off the justified obligations of the old bank, leave the liquidators of the old bank to unravel the mysteries of Sig Calvi's activities and start afresh.

The arrival of the first writs is another depressing reminder for Sig Bazzoli that Nuovo Banco Ambrosiano cannot easily escape the legacy of Sig Calvi. The writs are being issued on behalf of banks which lent money to Banco Ambrosiano Holding (BAH), the Luxembourg-registered subsidiary of the Milan Bank.

Whereas Nuovo Banco Ambrosiano swiftly paid back all the Eurodollar loans which Banco Ambrosiano had directly contracted, neither it nor the liquidators of the old bank would take responsibility for the debts of the Luxembourg holding. Both the Bank of Italy and the Italian Treasury maintained that BAH

was an independent entity outside Italian jurisdiction.

The creditor banks, however, argue that BAH was simply an instrument operated by Sig Calvi and Banco Ambrosiano in Milan and that the lending banks were told at the time that they were making loans to the Ambrosiano group as a whole, even though the loans were technically booked through BAH.

"The liquidators of the old bank are not liable," says Sig Bazzoli. "And we are not liable for these debts of the old bank either. The clause in the Italian banking law which the foreign banks have cited against us (clause 54 of the 1936 Act) does not apply in this case," he says.

"It's only a part of the world banking community that's against us," says Sig Bazzoli of the 88 banks. "We have 1500 correspondent banks all over the world and good relations with them."

For Sig Bazzoli the writs are just one more of the "exceptional problems" the new bank has to confront. When the old Banco Ambrosiano was liquidated, a pool of seven banks, led by Banca Popolare di Milano, but including such banks as Banca Nazionale del Lavoro and Istituto Bancario San Paolo di Torino, bought the goodwill of the old bank for £350m (\$241m) and set up the new bank. What made the deal attractive was that with it they acquired La Centrale, the finance company which owns two prosperous banks, Banca Cattolica del Veneto and Credito Varesino, the Toro Insurance Company (whose sale was agreed last week) and, less promising, a 40 per cent stake in the heavily loss-making Rizzoli publishing group.

Sig Bazzoli, who is a lawyer and university professor by profession, came in as chairman at almost no notice: he was deputy chairman of another bank in the pool, San Paolo di Brescia, his face shows his obvious weariness.

Among the problems the bank faced was that deposits had crashed from £3,800bn in Sig Calvi's heyday to £1,800bn, while the unions would not allow the new bank to sack any of the 4,200 staff, many of them badly deployed in the relatively unautomated bank.

Nuovo Banco Ambrosiano has campaigned hard to obtain deposits, offering more than the going rate for funds. "We have been criticised but if any bank is going to be allowed to do this it should be us," says Sig Bazzoli. "Now we are moderating our rates a bit." Deposits are now at £2,800bn and should reach £2,900bn when the first financial accounting period for the new bank ends on June 30. Loans stand at about £2,700bn.

"The confidence of our old customers has returned. Of course not all have stayed with us, but then we have won some new ones. There is a lot of enthusiasm among the staff here."

The new bank is to be allowed to establish nine new branches, in exchange for closing down a similar number in less profitable locations. The Bank of Italy, which exercises iron control on bank branches, has given its permission, partly because it had been unduly restrictive in this respect with the old bank. "This development will absorb staff and give us a broader national presence," says the chairman. There will be other measures to shed staff



Sig Giovanni Bazzoli: 'lot of enthusiasm'

through natural wastage and transfers to other banks.

But despite this, Nuovo Banco Ambrosiano expects to lose between £25bn and £30bn in the period to June 30. This is without covering the £350bn paid for the goodwill of the old bank. "We could write it off over anything from five to 20 years. What we'll probably do is to write it off in increasing annual amounts over ten years," says Sig Bazzoli.

"We hope that in the period to December 1984 there will be a reversal of the loss-making tendency," he says. This is important in May 1985 shareholders who had a stake in the old bank will be entitled to convert into shares the warrants which they are to be given as *ex gratia*

compensation for the loss they suffered when Banco Ambrosiano went bust, and will want to know how the new bank is going.

The offer to the 40,000 shareholders, announced last week, is carefully designed to exclude all those who were involved in the running and hidden ownership of the old bank, and involves raising the nominal capital of Nuovo Banco Ambrosiano from £800bn to £750bn. "It's a sign of continuity by the bank. After this the old shareholders will not have anything to say to the new bank. But people who have lost a lot will not be content with a little, though this is a problem for the liquidators of the old bank."

Italian critics argue that the growth of the new bank will be stunted because it will always be in direct competition for customers with its seven shareholder banks, especially when it expands, as it plans to, into financial services such as leasing. But Sig Bazzoli says: "If the shareholders didn't insist on let us grow they wouldn't have come in the first place. Undoubtedly the new bank can find itself in conflict with orders, but we want complementarity, not competition."

Even if the issue of the writs is solved, as Sig Bazzoli hopes it will be, there remains the problem of the bank's name - closely associated with that of Sig Calvi even though it was founded in 1896.

The new bank decided to keep the old name to show it had nothing to hide. "We kept courageously the old name - perhaps our courage was excessive," says Sig Bazzoli. "At the moment there is no question of changing it. But maybe we have some doubts about it now."

WRIT CLAIMS LUXEMBOURG ENTITY WAS 'MERE INSTRUMENT' OF PARENT

The Rome lawyers acting on behalf of the 80-odd bank creditors of the Luxembourg-based Banco Ambrosiano Holding (BAH) expect to have issued a total of five or six writs against Nuovo Banco Ambrosiano by the end of this week, James Buxton writes. Two were issued earlier this week, the first on behalf of a consortium of 15 banks led by Midland Bank France, Paris-based subsidiary of Britain's Midland Bank, and the second on behalf of a consortium led by National Westminster, also of the UK.

The Midland Bank writ concerns a syndicated loan for \$40m agreed in August 1980. The writ relates how the Midland representatives negotiated directly with executives of Banco Ambrosiano in Milan for the loan which would have

been either to the parent bank or to a member of the Ambrosiano group. In the end it was decided that the loan should be to BAH, which was 70 per cent owned by and directly controlled by Banco Ambrosiano SpA. BAH was a "mere instrument" of Banco Ambrosiano SpA, the writ states.

The writ states that BAH-controlled two subsidiaries, in Managua and Lima, whose main role was to make loans to companies registered in Panama and Liechtenstein which were the property of the Vatican Bank Istituto per le Opere di Religione (IOR). The credits amounted to more than \$15m, and were moved at the orders of staff based in Milan.

"The telegrams with which tens of millions of dollars were accredited to phantom companies were simply signed 'Giacomo', 'Licia', or 'Angelica'," the writ states. "Giacomo" is Giacomo Betta, (then) manager of Banco Ambrosiano SpA and head of its foreign department. "Licia" and "Angelica" are his (then) secretaries. From Milan they communicated to Monaco where, on a direct telex to Banco Ambrosiano overseas in Nassau, they sent the instructions which employed the coffers of BAH in favour of the phantom companies of the IOR."

The 47-page writ, drafted by the firm of Graziadei, calls Nuovo Banco Ambrosiano SpA to a hearing on June 15 at the Milan Court an alleges that the new bank is in breach of Article 54 of the 1936 Italian banking law which, the lawyers say, obliges the successor bank to take responsibility for the debts of its predecessor.

The writ also alleges that the new bank is in breach of Article 54 of the 1936 Italian banking law which, the lawyers say, obliges the successor bank to take responsibility for the debts of its predecessor.

Standard Chartered in £101m cash call

By Alan Friedman, London

STANDARD Chartered Bank, the British-based international bank, yesterday launched a one-for-five rights issue designed to raise £101m (147m). The net proceeds, £97.5m, will be used to strengthen the bank's capital base and to continue developing its international business.

The rights issue, which offers 25.9m new shares at 39p per share, took the London stockmarket by surprise. The bank's share price fell 24p on the day, closing last night at 45p. The shares of the Big Four UK clearers also declined yesterday, by an average of around 10p.

Standard Chartered said yesterday it wished to develop new lending opportunities during the world economic recovery. The bank denied that it was planning any major UK acquisition.

Some of the proceeds will be used to develop the business of MABIL, the consortium bank which was recently taken over by Standard Chartered and is to become the group's main merchant banking arm.

City of London analysts suggested however, that the rights issue proceeds would help the bank to improve its free equity ratio (the ratio of shareholders' funds against deposits), which at 2.4 per cent before the rights issue had been viewed as somewhat lower than other banks. The figure will now be about 2.8 per cent.

Delors shows flexibility on travel as protesters march

BY DAVID HOUSEGO IN PARIS

THOUGH the organisers proclaimed it a success beyond their hopes, the silent march of the French travel industry yesterday to "defend the freedom to travel" ended up in a noisy, inconclusive demonstration in front of the Ministry of Finance in Paris.

Police said about 3,000 took part in the march, which began shortly before lunch from the Opéra. There was some confusion at the outset after M Jacques Mallet, head of the Nouvelle Frontière travel agency, which had spearheaded the weekend revolt against the measures restricting foreign travel allowances, called it off to permit negotiations with the Ministry of Finance.

The National Union of Travel Agents denounced his intervention and the marchers stepped out with posters proclaiming that "tourism

equaled liberty." Scuffles with police broke out beneath the windows of M Jacques Delors, the Minister of Finance, after the demonstrators had been asked to disperse.

If some of the steam was taken out of the demonstration, it was because the government has somewhat softened its stance although it is standing firm on the substance of the measures.

Though individual credit cards have been cancelled for Frenchmen travelling abroad, businessmen will be able to make use of company credit cards. The Government is also showing some flexibility towards those who have already booked package tours whose foreign exchange cost exceeds the FF 2000 (\$275) limit and towards students on language courses abroad.

Speaking on radio, M Delors denounced the outcry against restric-

tions which hit a relatively small number as damaging France's image abroad.

Some officials argue that the outcry has helped the Government by attracting public attention from the severity of the other measures.

M Delors also said yesterday that inflation in France this year was likely to be between 8 and 9 per cent - higher than the Government's original target was 8 per cent - because of the inflationary implications of some of the measures. The Government is taking new measures to curb the excesses in price changes by butchers, bakers, fishmongers, hairdressers and hotel owners in the first two months of the year, contrary to the anti-inflation agreements they signed.

Bonn-Paris adds, Page 2

Reagan unveils new arms plan

Continued from Page 1

sent a significant step designed to move the negotiations towards the conclusion of an equal, fair and verifiable arms control agreement, it said.

The Group reaffirmed its support for the zero option as the "optimal solution," and hoped that it could still be achieved. It expressed the "firm view" that it was now incumbent on the Soviet Union "to respond constructively."

The offer was particularly welcomed in Bonn, which has been anxious that continued Western insistence on the zero option might

ruin prospects for an agreement. Chancellor Helmut Kohl said yesterday the proposal showed Nato's "continuous and intensive effort to reach a concrete and balanced result" at the Geneva talks.

Britain, clearly delighted by the degree of consultation between Washington and its European allies, warmly welcomed the initiative and urged the Soviet Union to consider the offer with the utmost seriousness and to respond positively.

M Claude Cheysson, French Foreign Minister, said France and other Nato allies could contribute to

U.S. - Soviet arms limitation talks "by expressing as often and as clearly as possible our support to the Americans."

Nevertheless, in spite of the warm reaction by European governments there will inevitably be scepticism over whether the proposal will be enough to persuade Moscow to move before the weapons start being deployed in December.

Soviet officials have already reacted dismissively to Mr Reagan's plan, officially put forward in Geneva on Tuesday.

Fail-safe gas supply urged for W. Europe

Continued from Page 1

The agency is also forecasting that the Soviet Union and Algeria will supply 35 per cent of Western European gas needs, excluding the UK.

The IEA says only the Netherlands and Norway could increase their current production to meet the rising demand for gas. For this reason, the IEA is recommending that its member countries negotiate fail-safe gas supply agreements with the Netherlands and urge Norway to speed up development of its gas fields.

The security of gas supply issue is central to the Soviet trade question which continues to divide the U.S. and its allies. Although the U.S. has abandoned any hope of preventing the first section of the controversial Siberian pipeline going on stream next year, it is seeking to block the eventual construction of a second and third section, while at the same time adopting a hard line against energy technology exports to the Soviet bloc.

U.S. officials have indicated that the U.S. would treat with great concern any situation where a Western country depended for more than 30 per cent of its gas needs from the Soviet Union. According to U.S. studies, a Soviet pipeline with one strand would supply between 20-30 per cent of Western European gas needs, while a pipeline with three strands would increase European dependency on Soviet gas to about 40 per cent.

But international oil industry sources in Paris said the so-called "30 per cent supply safety limit" did not fully reflect the situation in Western Europe. According to one source, the problem must also be seen in the context of gas users and their capacity to switch fuels in an emergency.

In Europe, the problem is that residential and commercial gas users account for up to 60 per cent of gas demand in some countries. This makes them far more vulnerable to a supply cut-off, especially in winter.

In their reports for the summit, the OECD and the IEA will again warn of new dangerous energy problems arising at the end of this decade, should industrialised countries decide not to strengthen their current energy policies.

World Weather

Area	Temp	Wind	Cloud	Precip	Area	Temp	Wind	Cloud	Precip
Algeria	14	SE	10	0	Madrid	20	SE	10	0
Algeria	21	SE	10	0	Paris	18	SE	10	0
Algeria	14	SE	10	0	Paris	18	SE	10	0
Algeria	14	SE	10	0	Paris	18	SE	10	0
Algeria	14	SE	10	0	Paris	18	SE	10	0
Algeria	14	SE	10	0	Paris	18	SE	10	0
Algeria	14	SE	10	0	Paris	18	SE	10	0
Algeria	14	SE	10	0	Paris	18	SE	10	0
Algeria	14	SE	10	0	Paris	18	SE	10	0
Algeria	14	SE	10	0	Paris	18	SE	10	0

North Sea oil prices

Continued from Page 1

BNOC has asked its customers to confirm these price levels by April 6. Industry executives will then face the task of settling accounts outstanding for up to two months.

It was being stressed in Whitehall that Nigeria had no reason to match the proposed price cuts. The UK Energy Department said that rather than leading prices down BNOC and other North Sea interests were "leading the cause of stability."

Further evidence of pricing stability came yesterday from the crude oil futures markets which began trading in New York and Chicago.

In early trading on the New York Mercantile Exchange West Texas Intermediate oil - similar to Brent crude - was being sold at \$29 to \$29.25 a barrel for June deliveries.

July deliveries of South Louisiana crude, also of high quality, were being traded between \$29.25 and \$29.50 on the Chicago Board of Trade Exchange. In the London spot market Brent crude was being sold for about \$28.25 a barrel, slightly up on the past few days' trading.

Independent producers may however challenge BNOC's plans to backdate the price cuts to February 1.

C-Clearly D-Delors F-Fair G-Fry H-Hall I-Italy J-Japan K-Korea L-Luxembourg M-Market N-Netherlands O-Oil P-Petroleum Q-Quota R-Russia S-Saudi T-Texas U-UK V-Venezuela W-Winter X-X-ray Y-Yield Z-Zero

Published by The Financial Times (Europe) Ltd, Frankfurt Branch, represented by G.T.S. Dunsen, Frankfurt/Main, A.F. News, S.A.P. Messen, M.C. German, S.A. Lawrence, D.E.P. Palmer, London, as members of the Board of Directors. Printed: Frankfurt, Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1983.

INTERNATIONAL COMPANIES and FINANCE

Downturn in profits for IBM Japan

By Yoko Shibata in Tokyo

IBM JAPAN, a wholly owned subsidiary of the U.S. group, has reported a 9.2 per cent fall in consolidated net profits to ¥3,650m (\$14.9m) on sales of ¥48,550m, up by 13.1 per cent, for the year ended January 31, 1983.

Thanks to the introduction of new large computers, such as the 3081 series, and shipments of computer terminals to banks, IBM Japan's sales in the domestic market rose by 15 per cent. However, exports were sluggish, up only by 6 per cent to ¥11,550m, reflecting a shift of production to overseas plants. The earnings setback was attributed partly to increased material and production costs, and partly to foreign exchange losses on imports caused by the sharp depreciation of the yen. Higher interest payments resulting from the company's substantial capital investments in restructuring its marketing network, starting a leasing system, and marketing new office computers also affected the result.

For the current year the company forecasts growth in sales of more than 20 per cent, boosted by demand for office automation equipment such as office computers and a new multilingual computer with a Japanese language word processor facility.

Big provisions by HK developers

BY ROBERT COTTRELL IN HONG KONG

HONG KONG'S two largest companies, Hongkong Land and Cheung Kong (Holdings), have reported 1982 profits savagely cut by the collapse of the local property market.

At Hongkong Land, provisions totalling HK\$1.9bn (U.S.\$285m) against now doubtful joint-venture projects left a loss of HK\$514m, against 1981 net profits of HK\$32.2bn. The dividend is cut by one-quarter.

Land's downturn also had a knock-on effect at Jardine, Matheson, the trading group which owns some 40 per cent of Land's equity. Jardine's total profits were cut from HK\$982m in 1981 to HK\$320m.

Cheung Kong (Holdings), the property developer controlled by Mr Li Ka-Shing, enjoyed meteoric growth through the local property boom of 1978-81. The 1982 reversal has caused Cheung Kong to make provisions of HK\$458.7m against the diminished value of its landbank, and a further HK\$178.4m against investment holdings in other development companies.

Two other major Hong Kong property-based companies also reported for 1982 yesterday.

Swire Pacific, whose subsidiaries include Swire Properties and Cathay Pacific Airways, reported a total profit of HK\$600.7m against HK\$764.5m for 1981. While Hutchison Whampoa, also chaired by Mr Li Ka-Shing, showed profits after tax of HK\$940m, an increase of HK\$150m over 1981. Cheung Kong holds 42 per cent

	After-tax profit (HK\$m)	Extraordinary items (HK\$m)	Net profit (HK\$m)	Dividend per share (HK cents)
Jardine Matheson (1)	706 (723)	-268 (+259)	438 (982)	80 (80)
Hongkong Land (2)	1,038 (1,429)	-1,532 (+734)	-494 (+695)	26 (34)
Hutchison Whampoa (3)	949 (790)	32 (157)	1,001 (947)	45 (40)
Cheung Kong (4)	526 (1,382)	7 (219)	534 (1,601)	70 (70)
Swire Pacific (5)	601 (728)	Nil (37)	601 (765)	15.2 (15.2)

All figures are for 1982 with those of 1981 in brackets.

Notes: (1) Extraordinary items include exchange translation differences; (2) Provision against development projects included in extraordinary items; (3) Profits are stated before deduction of preference share dividends; (4) Provision against landbank included in after-tax profits, provision against investments included in extraordinary items; (5) stated dividend is on "B" shares.

of Hutchison.

The major surprise for analysts was Hongkong Land's decision to provide in full against the possible termination of certain projects—mainly its joint-ventures on the Redhill and Miramar sites, Mr Trevor Bedford, Land's managing director, said yesterday that the provision, of HK\$1.5bn, was sufficient to cover all of the group's liabilities on Redhill, a residential project on Hongkong Island, and Miramar, a commercial development in Kowloon.

Land has a 50 per cent stake in both projects. Its partners in the Miramar deal include the Carian group, currently seeking debt restructuring to state of liquidation. On Redhill, 12 per cent of the joint-venture company, Vermilion, is held by E Wah and Aik San, two private Chung family companies which are also in negotiations with their bankers.

Jardine Matheson and Hong

kong Land equity-account for their mutual cross-holdings of one another's equity. Jardine's profits were depressed accordingly. But the major news from the Jardine camp yesterday was of managerial changes. Mr David Newbagg, chairman and senior managing director, is to relinquish the latter role in June while remaining as non-executive chairman.

The chief executive's job is to be taken by Mr Simon Kewick, who was made a joint managing director last year and is expected by many to eventually take over the chairman's post. Mr Kewick is descended from Jardine's Scottish founders and his family hold an undisclosed equity stake in the company.

Looking towards the current year, with the Hong Kong property market still in the doldrums, Mr Li Ka-Shing adopted a bearish outlook in his statements on behalf of both Cheung Kong and Hutchison

Whampoa. Hutchison, he warned, faced "a substantial fall in group profits for the current year" unless the property market and local economy showed a "marked improvement." At Cheung Kong, he expected that "1983 earnings will be lower than those in 1982 and that dividend payments will be affected."

Mr Newbagg said he thought Jardine Matheson would improve its performance in 1983. Swire Pacific's Mr Duncan Block was the most optimistic of reporting chairmen. He saw "positive indications of some improvement to demand in the property market to Hong Kong." He also said Cathay Pacific, from which Swire netted HK\$90m of profits on aircraft disposals in 1982, showed "encouraging" first-quarter results, while other divisions were expected to achieve "satisfactory" outcomes for 1983.

Bond bids A\$260m for Grace Brothers

By Michael Thompson-Noel in Sydney

BOND CORPORATION Holdings of Perth last night launched a takeover bid for Grace Brothers Holdings, the Sydney-based retailing and transport group, worth approximately A\$260m (U.S.\$225m).

The master company of Mr Alan Bond, the Perth businessman, is offering one cumulative preference share in Bond Corporation, redeemable for A\$4.50 cash in three years time, to exchange for every stock unit and convertible note in Grace Brothers. Mr Bond told Australian stock exchanges last night that on a 12 per cent discount basis, and leaving aside tax advantages that might accrue to some shareholders and noteholders, the offer was worth A\$4.06 per Grace Brothers stock unit and convertible note.

The move could help rationalise the extraordinary tangled state of Australian retailing. If it does, it will leave Mr Bond in control of a retailing group that also embraces the Waltons Bond and Norman Ross subsidiaries, and which will rank as the country's fourth biggest retailer.

Following a hectic tussle for Grace Brothers shares last year, Bond Corporation at present controls just under 20 per cent—as does Adelaide Steamship Company (Adsteam), and Myer Emporium, the Melbourne-based retailer.

Approximately 18 per cent is held by Grace family interests (including the Grace Brothers pension fund), and 6.8 per cent is held by yet another Australian retailer, Woolworths, which last year launched—but subsequently withdrew—an offer of A\$160m for Grace.

Grace Brothers' profits for the year to last July were A\$13.7m, but Australian retailing is depressed at present.

A week ago, before the latest bout of hectic trading in Grace Brothers shares, the share price was A\$2.80. There is inevitable speculation that the Bond bid will flush out a counter-offer, either from Myer Emporium or from Adsteam—or both.

Last night Adsteam did not rule out making such a bid.



Central American Bank for Economic Integration (CABEI)

U.S. \$20,000,000

Floating Rate Serial Notes due 1994

For the six months 5th April, 1983 to 5th October, 1983

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 10 1/4 per cent, per annum, and that the interest payable on the relevant interest payment date, 5th October, 1983 against Coupon No. 9 will be U.S. \$461.31.

The Industrial Bank of Japan, Limited Agent Bank

U.S. \$25,000,000



UNITED OVERSEAS BANK LIMITED

(Incorporated in the Republic of Singapore)

Floating Rate Notes Due 1989

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest period from 31st March, 1983 to 30th June, 1983 the Notes will carry an interest rate of 10 1/4 per cent, per annum. The relevant interest payment date will be 30th June, 1983 and the Coupon Amount per U.S. \$1,000 will be U.S. \$25.39.

Credit Suisse First Boston Limited Agent Bank

U.S. \$25,000,000 Floating Rate Notes due March 1984



BANCO DE SANTIAGO

(Incorporated with limited liability in the Republic of Chile)

In accordance with the provisions of the Notes and Agent Bank Agreement between Banco de Santiago and Citibank, N.A., dated September 24, 1980, notice is hereby given that the rate of interest has been fixed at 10 1/4 per cent, per annum, and that the interest payable on the relevant interest payment date, September 30, 1983, against Coupon No. 6, in respect of U.S.\$10,000 nominal amount of the Notes will be U.S.\$25.39.

March 31, 1983, London

By: Citibank, N.A. (CST-Dept), Agent Bank.

CITIBANK

U.S. \$50,000,000



BANCO de VIZCAYA, S.A.

London Branch

Negotiable Floating Rate London Dollar Certificates of Deposit Due 31st March, 1987

In accordance with the provisions of the Certificates notice is hereby given that for the six month interest period from 31st March, 1983 to 30th September, 1983 the Certificates will carry an interest rate of 10 1/4 per cent, per annum. The relevant interest payment date will be 30th September, 1983.

Credit Suisse First Boston Limited Agent Bank

Major debt default in Taiwan

BY ROBERT KING IN TAIPEI

TAIWANESE and foreign bankers here are bracing themselves against the effects of a major debt default that could become the largest commercial banking loss in Taiwanese history.

Altogether, 27 financial institutions, including six foreign banks, are owed more than U.S.\$50m by Great International Corporation, Taiwan's fifth largest trading company and its affiliate, the We Sheng group. The companies began defaulting on payments late in 1982 and to date no plan to re-schedule the debt and reorganise the group has emerged.

Great International's U.S. affiliate, GIC America, compounded the group's troubles recently by filing for Chapter 11 bankruptcy proceedings in the U.S. The company's petition lists about \$8m in secured and unsecured debt, and about

\$9.2m in assets. GIC America's largest unsecured creditor, according to court documents, is the Bank of Bangkok, with about \$850,000 in loans outstanding. Other unsecured lenders are Societe Generale, Metropolitan Bank and Trust of the Philippines, Algemeene Bank Nederland, Oceanic Bank, and Union Bank.

Exposure of these banks ranges from \$295,000 to \$750,000. In Taiwan, We Sheng and Great International's creditors include the Morgan Bank, Lloyd's Bank International, Banque de Paris et des Pays-Bas, as well as local branches of Bank of Bangkok, Metropolitan Bank and Trust and Societe Generale.

It appears that rapid expansion in the food processing industry, where competition is stiff and profit margins are slim, led

to the companies' overextension. Most of the companies' assets are tied up in property at a time when the property market is depressed and prices have fallen. Thus, even institutions whose loans are secured against property might have trouble recovering their assets.

The Government has asked the banks to wait until the end of April before pressing for repayment, in order to give the companies time to come up with a re-organisation plan. But bankers say that with manufacturing and exporting operations at the companies continuing at only minimum levels they remain pessimistic.

Wang Chao-Ming, Taiwan's vice-minister of economic affairs, said last week that the Government has no current plans to assist the ailing companies.

Hongkong Land

All operations increase recurrent profits. However, 1982 difficult for Hong Kong generally and for property market. Substantial extraordinary provisions made against certain joint ventures.

Group Profits

Consolidated net profit after tax, but before extraordinary items HK\$1,038 million, a decrease of 27% against 1981. Earnings per share 49 cents, down 28%.

Extraordinary Items

Provisions of HK\$1,900 million set aside against joint venture property trading projects. Profits from sale of investments HK\$348 million.

Dividends

Final ordinary dividend of 12 cents per share proposed totalling 26 cents for 1982, 24% below 1981.

Properties Revalued

All completed Hong Kong investment properties revalued in view of fall in Hong Kong property values generally. Developments in progress to be carried at cost. Net surplus credited to capital reserve of HK\$2,629 million.

Major Acquisitions

34% Hongkong Electric Holdings Ltd. Prime site for Exchange Square, development Bank of Canton Building.

Rental Demand Sustained

Demand sustained for prime commercial portfolio, 93.7% let. Strong reversionary increments boost recurrent earnings. All residential apartments let.

Food and Hotels

Dairy Farm profits up 18% to HK\$153 million. Hotels operating profits up 30% to HK\$113 million.

Ready for Renewed Growth

With provisions made, Hongkong Land is well placed to benefit from any economic recovery in Hong Kong.

D. K. Newbagg, Chairman Hong Kong, 30th March 1983

Results

	1982 HK\$ Million	1981 HK\$ Million	1982 HK\$ per share	1981 HK\$ per share
Group profit after taxation and minorities	1,038	1,429	49	68
Extraordinary items				
Profits on sale of long-term investments and investment properties	348	734	16	35
	1,386	2,163	65	103
Provisions for possible termination of development projects and against interest in associate	(1,900)	—	(89)	—
Total (Loss)/Profits	(514)	2,163	(24)	103
Dividends				
Ordinary — Interim	300	254	14	12
— Final	257	469	12	22
Total	557	723	26	34
A special dividend of 6c per share was paid in respect of the year 1981				
Shareholders' funds*	HK\$20,329	HK\$19,528	HK\$9.49	HK\$9.16

*Reflects Hong Kong investment property revaluations — 1981 partial, 1982 total.



The Hongkong Land Company Ltd
Alexandra House, Hong Kong

Jardines 1982 Results Earnings HK\$708 Million

Earnings show slight decrease in difficult year.

- Net profit was HK\$708 million, down 2.1% from 1981 earnings of HK\$723 million. Exchange translation differences and extraordinary items add further HK\$173 million and charges of HK\$561 million respectively.
- Earnings per share declined 4.3% to HK\$1.77.
- Dividend: Recommended final dividend of HK\$0.57 makes total of HK\$0.80 for the year.
- Group earnings affected by Hongkong Land's lower profits and its substantial extraordinary provisions in respect of certain joint venture developments.

- Hong Kong earnings showed a decline in profits although good earnings were recorded by the engineering and construction and marketing and distribution divisions.
- International operations produced excellent profit growth with operations in South East Asia, the Middle East and Southern Africa producing notable increases.
- Forecast: Growth in 1983 is expected to be moderate as Jardines will continue to be significantly influenced by the performance of Hongkong Land.

	1982 HK\$m	1981 HK\$m
Turnover	11,240	9,266
Profit before tax	1,267	1,300
Tax	286	320
Profit after tax	981	980
Minorities	273	257
Profit after tax and minorities	708	723
Net exchange translation differences	173	33
Extraordinary items (Jardine Matheson Group)	(17)	(28)
Extraordinary items (Jardine's share of Hongkong Land)	(544)	254
Profit available for appropriation	320	982
Earnings per share*	HK\$1.77	HK\$1.85
Dividends per share	0.80	0.80

* Before net exchange translation differences and extraordinary items.

** Adjusted for change in issued share capital.

The 1982 Annual Report and Accounts will be posted to shareholders on 16th May, 1983.

D.K. Newbagg
Chairman
30th March, 1983



Jardine, Matheson & Co., Ltd
Consult Centre, Hong Kong

9 thorny questions treasurers are asking Morgan about long-term financing alternatives



Morgan banking officers and Morgan Guaranty Ltd managers meet in London. From left, Jean-François Buisseret and Michael Enthoven, MGL; Andrew Cartwright, Banking, London; Claus Löwe, MGL; Gonzalo de las Heras, general manager, Madrid; William Holding, head, European Corporate Banking, New York.

1. Are there economic benefits to denominating an inter-company loan in a third-country currency?
2. Is there a cost-effective way to prepay a foreign currency liability?
3. Does it make sense to be a lessee if we pay taxes?
4. At what point does project financing favourably affect the risk/reward ratio of an investment opportunity?
5. How can we efficiently reduce the cost of our outstanding public debt?
6. Can we arrange long-term fixed-rate financing in a foreign currency if the capital market for the currency isn't accessible on reasonable terms?
7. How can we most efficiently use interest rate swaps to change floating-rate debt to a fixed-rate obligation? Or fixed to floating?
8. How can we improve the return on our investment portfolio within our liquidity, credit quality, and foreign exchange exposure constraints?
9. When does a private placement provide terms which are competitive with the public market?

Corporate treasurers find that Morgan has the answers to long-term financing questions like these. They know

Morgan bankers add value to a relationship by exploring all the alternative solutions to complex financing problems—both traditional structures and new ones responsive to today's volatile markets.

How Morgan responds

Our answer to Question 3, for example, may be a cross-border lease which dramatically reduces the effective cost of financing the asset while permitting you to retain the economic risks and rewards of ownership. Morgan can act as both agent and advisor. In the last year alone we arranged a billion dollars of such leases.

Or take Question 5. For many companies forward bond repurchase programmes can lock-in existing discounts on the bond prices or currency exchange rates—or create a positively-sloped yield curve—without incremental outlays of funds.

The answer to Question 6, for several clients, was a bond issue plus a currency swap. The issuer raised funds in one currency and effectively repaid them in another through a long-dated forward exchange contract. We thus generated financing in the client's desired currency on more advantageous terms than otherwise possible.

As to Question 7, you'll find we provide a fully integrated proposal—arranging the floating-rate financing or

backstop facility if necessary, acting as principal in the swap, and managing the related bond issue in the international market. And you'll find that our approach can not only reduce the costs and risks of such a transaction but also simplify its implementation.

Can Morgan help you?

Morgan has the resources to solve any type of financing problem for a client, as principal or agent. The right solution for you can involve our role as lender, market-maker, or underwriter, or as agent or advisor on private placements, leasing, exchange and interest rate exposure management, loan syndications. And our merchant banking subsidiary in London, Morgan Guaranty Ltd, is one of the fastest growing lead managers in the Eurobond market.

By calling on Morgan's extensive knowledge of the capital markets you may be able to lower your long-term financing costs significantly.

Ask us your tough questions

What financing questions are most challenging to your company? Ask them of your Morgan banker in any of our European offices. Or write or call Fabian K. vom Hofe, Vice Chairman, Morgan Guaranty Ltd, 30 Throgmorton Street, London EC2N 2NT. Telephone (01) 600-7545. Member FIC

The Morgan Bank

Western Areas Gold Mining Company Limited



(both incorporated in the Republic of South Africa)
Members of the
Johannesburg Consolidated Investments
Group of Companies

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited

Highlights from the 1982 Chairman's Reviews

Gold market

The London free market gold price, which was fixed at \$400 (R383) per ounce on 31st December, 1981, had declined to \$304 (R288) per ounce by 23rd June, 1982 against a background of deepening recession in the major Western industrial countries and despite political developments that might have been – and, in the past, have been – a significant factor in stimulating the demand for gold. Fortunately, however, this reduction in the dollar gold price of 24%, during the first half of 1982 was accompanied by a lower rand/dollar exchange rate, with the result that, in rand terms, the equivalent reduction in the gold price was only 9%.

During the second half of 1982 the dollar gold price recovered and the free market price was fixed in London at \$448 (R481) per ounce on 31st December 1982, having attained a level of \$489 (R560) per ounce on 7th September, 1982. The sudden rapid increase in the gold price was apparently the result of two factors. Firstly, the prospect of a swift recovery in the United States economy – following significant decreases in U.S. dollar interest rates – created expectations of both higher inflation in that country and of greater gold demand for jewellery and investment purposes. Secondly, the precarious financial situation of certain third-world countries cast some doubt on their ability to repay U.S. dollar loans. In this instance the perceived threat – which still exists – was that default by such countries would severely strain the U.S. banking system, causing the U.S. monetary authorities to increase the money supply.

While the U.S. money supply rose sharply between September 1982 and February 1983 in response to a relaxation of monetary policy, inflation in America nevertheless declined further and this, together with a decline in oil prices, caused the gold price to ease back again. In fact, it fell by 18%, from \$509 (R569) per ounce on 15th February to \$412 (R449) per ounce on 4th March, 1983 ahead of the OPEC agreement of 14th March, 1983 to reduce the Saudi Arabian reference price by \$5 a barrel to \$29 a barrel. This had come about as a result of the significant over-supply of oil to the world petroleum market and can be expected to contribute positively to a further easing of world inflation in the short run.

With the benefit of hindsight, it is now possible to say, with a fair degree of certainty, that both the severe decline in the gold price as well as its rapid recovery during 1982, may have been exaggerated by the participation of speculators in the futures market. The influence of these markets becomes apparent only when it is realised that on a particular day the turnover is usually between three and five times greater than that associated with the physical gold market. Furthermore, between 1980 and 1982 annual turnover of gold on the major futures markets increased by some 30%, to a level approaching 1 400 million ounces, which is more than 30 times greater than the world's total gold production during 1982. The radical change in the gold

market during the past few years has clearly resulted in a far greater awareness of gold, which augurs well for the price in the future. However, this has also resulted in greater fluctuation in the gold price as it adjusts with speculators' expectations of U.S. dollar purchasing power.

It seems possible, therefore, that the wide oscillations in the gold price experienced in the recent past may be a permanent feature of the gold market and that the gold producers will have to adapt their policies accordingly. Insofar as low-cost producers are concerned, the necessary adaptation may be relatively minor and entail only a more dynamic approach to planning. However, marginal producers may have to adopt a more conservative approach to try and secure an acceptable level of revenue rather than take the risks associated with a volatile gold price.

Uranium market

The uranium price decline, which began in 1979, continued during 1982. The lowest uranium spot price as published by Nuxeco in 1982 was \$17 per pound in September and October of that year, compared with a price of \$23.50 in December 1981. This reduction in the spot price has been a reflection of a basic imbalance between demand and supply following a world-wide reduction in energy consumption. In the absence of significant decreases in uranium production, stocks continued to increase substantially. Sales from stock by American utilities – committed to purchase quantities of material substantially in excess of their requirements – and the sale of uncommitted production by certain North American producers exacerbated the decline in the uranium price.

Fortunately, however, most major consumers with long-term contracts for their requirements have taken a realistic view of the decline in the uranium price in order to ensure continuity of supply. As a result, the price associated with such contracts has, in many instances, not been as severely affected as it might otherwise have been. In addition, the lower rand/dollar exchange rate that prevailed during most of 1982 offset, to some extent, the lower dollar price.

Towards the end of 1982 the Nuxeco uranium spot price increased to \$19.75 per pound. Although this may suggest that the decline in the market has been arrested, the industry is still faced with the fact that production will probably exceed demand for some time to come, particularly while regulatory constraints and concerns about environmental issues influence the construction of further nuclear power facilities in the United States and other industrialised countries. However, the force of these considerations should diminish if any significant upturn occurs in the demand for electric power.

Western Areas

Operations

The sharp decline in the U.S. dollar price of gold in the early part of the year necessitated a major rationalisation of operations to improve the grade of ore mined. As a result of the decision to concentrate mining operations within limited higher grade areas, ore from underground decreased by 17%. Material from surface sources to the mill increased from 433 000 tons to 537 000 tons. The effect was a net decrease of 12% in total mill throughput. Surface ore included 85 000 tons from the waste washing plant and 472 000 tons from the rock dump at North Shaft.

Despite the treatment of 510 000 tons of uranium-bearing Middle Elsburg ore with a low gold content, the recovery grade improved to 4.5 grams per ton (1981: 4.1 grams per ton) resulting in the production of 16 923 kilograms of gold (1981: 17 706 kilograms).

Notwithstanding reductions in the number of employees, labour costs increased by some R8 million (8.75%). Power and water costs increased by R4.6 million (26.4%). In consequence of these increases together with additional development and the effect of inflation in other areas, total working costs increased by 11% to R199 million. This increase, together with the lower tonnage milled, resulted in unit working costs rising by 25.6% from R41.80 to R52.49 per ton milled.

4E Sub-Vertical Shaft

Development and stoping from this shaft are progressing well and the planned rate of production is expected to be reached during 1984.

SV3 Shaft

Sinking and equipping of this shaft are planned for completion during 1984, when development of the areas between 83 and 95 levels will be commenced. The deepening of the SV2 Shaft should be completed in 1983 and will assist in the acceleration of the work necessary for the commencement of stoping operations early in 1984.

Capital Expenditure

Expenditure on mining assets during the year was limited to R19.1 million. This was necessary because of the low gold prices realised during the major part of the year and work was restricted to items vital to the short and medium term maintenance of production. Present estimates indicate that expenditure of some R30 million will be incurred on capital items during 1983, the major portion of which will be absorbed by the SV3 Shaft programme.

Safety

The Mine achieved a million fatality-free shifts in January 1982 and the five-star rating in the International Mine Safety Rating Scheme was retained. On 12th February, 1983 a million fatality-free shifts were again recorded. Management and staff at the mine are to be congratulated on these achievements.

Labour

Consultations continued with while employees and their organisations on the question of the better utilisation of all labour. The indenturing of engineering apprentices from all races was introduced in 1983, but little progress has been made regarding the position of semi-skilled workers.

During the year the company was approached by various black unions with requests to recruit employees and conclude recognition agreements. Discussions have continued and agreement should be reached in due course. This will certainly lead to a major change in the industrial relations environment within the industry.

Forward Sales

As a result of the need to stabilise revenue at the level necessary to cover working costs and capital expenditure, the major portion of the expected gold production for the second half of 1982 was sold forward earlier during the year.

Outlook

The company will face a difficult period ahead pending the completion of the SV2 and SV3 Shaft systems and the development of sufficient ore reserves, particularly on the VCR horizon, to provide the necessary flexibility of operations. In the longer term, these projects should result in an improvement in the grade of ore available for mining.

With the improvement in the gold price, underground production at North Shaft is expected to increase and this should offset the reduction in the treatment of surface dump material, sources of which will be depleted towards the end of this year. Recovery grades during 1983 are expected to be maintained at the present levels.

Development rates will continue to increase and will remain high for a few years. Underground exploration west and north of the lease area will also be undertaken. The programme to open up and evaluate old blocks of ore at North Shaft has been accelerated.

These programmes will result in higher working costs but these increases should be offset to some extent by improved productivity.

The major portion of the expected gold production for 1983 has been sold forward to ensure a satisfactory minimum level of income. It is intended to maintain this policy until the deeper higher-grade areas have been developed and the necessary flexibility of operation has been achieved.

Johannesburg
22nd March, 1983

G. Y. Nisbet
Chairman

SUMMARY OF OPERATIONS

Year ended 31st December	1982	1981
GOLD		
Tons milled - 000's	3 768	4 291
Kilograms produced	16 923	17 706
Recovery grade g/t	4.5	4.1
Average price received U.S. \$ per ounce	358	463
Rands per kilogram	12 590	12 946
Revenue per ton milled: R	57.51	53.57
Cost per ton milled: R	52.49	41.80
Profit per ton milled: R	5.02	11.77

URANIUM

Tons treated - 000's	510	—
Oxide produced - tons	171	—
Recovery grade - kg/t	0.33	—

FINANCIAL

Profit from gold - Rm	18.9	50.5
Profit from uranium - Rm	2.9	—
Capital expenditure - Rm	19.1	39.9
Tax and State's share - Rm	—	2.4
Dividends - Rm	4.0	16.1

Randfontein Estates

Operations

Operating profit for the year at R219.5 million was 24.4% higher than the R176.4 million achieved in 1981 and was the highest ever recorded by the company. Tax and the State's share of profits at R64.6 million were nearly double the amount (R34.9 million) paid in the previous year.

Net capital expenditure on mining assets amounted to R96.9 million, while R10.5 million (net) was repaid in respect of long-term loans. Earnings per share after tax and capital were 1.61 cents and a dividend of 1.100 cents per share was paid which absorbed R69.5 million. These and other appropriations resulted in a decrease in retained earnings by R0.9 million to R14.2 million.

Largely due to the reclamation of greater amounts of low-grade surface dump material, the tonnage treated for gold increased by 19.6%, while the recovery grade was lower at 5.0 grams per ton. The mine produced 27 035 kilograms of gold, 14.2% more than in 1981.

As a result of the decision to terminate the mining and treatment of uranium ore at Randfontein section, the total tonnage treated for uranium was 11.4%, lower, producing 483 837 kilograms of uranium oxide, or 21.8%, less than in the previous year.

The fight to contain working costs in the face of continued high inflation has met with significant success as a result of marked improvement in labour productivity and stores consumption. Total costs amounted to R188.307 million, 5.2% higher than in 1981, while unit costs were 12% lower, largely as a result of the increased tonnage from surface sources treated for gold.

Cooke No. 3 Shaft

Construction and sinking at the No. 3 Shaft are well advanced and production is now expected to commence early in 1984, twelve months earlier than originally scheduled. This good progress has been achieved through the continual revision of planning and control of operations, the effectiveness of the mechanised drilling in shaft sinking operations and the enhanced development rates achieved by utilising the mid-shaft landing facility. The major factor has been the large amount of development advanced from No. 2 Shaft. The project has also benefited by the absence of adverse ground and water conditions.

1 881 metres on the UEL Reef in the Cooke No. 3 Shaft area were sampled. While limited areas were of high grade, values for both gold and uranium were generally satisfactory. The UEL Reefs in this area usually comprise three or more distinct bands, all of which are prospected to determine the optimum horizon on which to develop raises. Much work has yet to be done to interpret the geological structure and the probable distribution of values in this section of the lease.

Treatment capacity for ore from the No. 3 Shaft area will be made available at the Cooke plant by diverting lower grade uranium ore from the Cooke No. 1 Shaft to Millsite to be treated for gold only. This will reduce the urgency for the further expansion of facilities at Cooke plant in the short term.

Capital Expenditure

As a result of the lower gold price prevailing during the first half of the year, expenditure on capital projects was curtailed. However, with the improvement in the gold price the programme was again revised and expenditure reached R96.9 million by the end of the year.

Present estimates indicate that a similar amount will be spent during 1983. Of this expenditure approximately R42 million will be required for the Cooke No. 3 Shaft project.

Joint Venture

With a view to the long-term future of the company, an agreement has been concluded with the Johannesburg Consolidated Investment Company, Limited whereby your company will participate in a joint exploration programme aimed at determining new areas of gold and/or uranium potential in the Transvaal and Orange Free State.

Randfontein's share of expenditure in this regard in 1982 was R1.9 million and is estimated at R1.0 million for 1983.

Labour

The better utilisation of manpower continues to be influenced by the attitudes of employees and their organisations. A large amount of time and effort has been devoted by management to the development and implementation of an Industrial Relations Education programme which, through consultative committees, will assist in communication with all workers. Consultation with employee organisations has also been given more attention. As a result some advances have been made and with the imminent emergence of unions representing all employees it is expected that change will now be accelerated. A major advance has been made in this regard in respect of a non-discriminatory policy adopted in the indenturing of apprentices this year.

Outlook

The recovery in the gold price and the increased flexibility available in mining operations have allowed the company to continue with its expansion plans as well as to devote more attention to exploration for the long term.

As low grade material from surface dumps is replaced with underground ore, unit working costs can be expected to increase.

However, any such increase should be offset to some extent by the expansion of underground operations and further improvements in productivity. The increased gold price will make it possible to mill lower-grade ore from underground, including payable footwall bands, and as a result recovery grades are not expected to change significantly in the medium term as low grade surface dumps are depleted.

Evaluation of the area immediately north-east of the Cooke section where the company holds certain of the mineral rights has continued for a number of years and the point has now been reached where decisions can be taken. Feasibility studies indicate that at current gold prices the area could be profitably exploited if mined by this company as part of its own operations. This would require the agreement of all the other mineral right holders and to this end discussions to try and reach agreement on the financial arrangements have been initiated.

Johannesburg
22nd March, 1983

G. Y. Nisbet
Chairman

SUMMARY OF OPERATIONS

Year ended 31st December	1982	1981
GOLD		
Tons milled - 000's	5 411	4 525
Kilograms produced	27 035	23 679
Recovery grade g/t	5.0	5.2
Average price received U.S. \$ per ounce	371	471
Rands per kilogram	13 072	13 066
Revenue per ton milled: R	65.86	68.37
Cost per ton milled: R	29.24	33.24
Profit per ton milled: R	36.62	35.13

URANIUM

Tons treated - 000's	2 997	3 351
Oxide produced - tons	483	592
Recovery grade - kg/t	0.16	0.18

FINANCIAL

Profit from gold - Rm	198.2	159.0
Profit from uranium - Rm	19.2	15.3
Capital expenditure - Rm	96.9	103.9
Tax and State's share - Rm	64.6	34.9
Dividends - Rm	59.5	40.6

Elsburg Gold Mining Company Limited

Stockholders are referred to the review in respect of Western Areas Gold Mining Company Limited above.

Elsburg Gold Mining Company Limited
Western Areas Gold Mining Company Limited
The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
(Incorporated in the Republic of South Africa)

Notice of annual general meetings and of closure of share registers

The annual general meetings of the above companies will be held on Monday, 25th April 1983, in the boardroom, Consolidated Building, Fox and Harrison Streets, Johannesburg, as follows:
09h15 Western Areas Gold Mining Company Limited followed immediately by
Elsburg Gold Mining Company Limited
11h00 The Randfontein Estates Gold Mining Company, Witwatersrand, Limited

Any member of a company is entitled to appoint a proxy to attend the meeting of that company and to speak and to vote in his stead. A proxy need not be a member of the company.
The share transfer books and registers of members will be closed from 19th to 25th April 1983, both dates inclusive.

By order of the board
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
Secretaries

POB: D. J. BARRETT

Head Office and Registered Office
Consolidated Building
Fox and Harrison Streets, Johannesburg 2001
22nd March, 1983

Office of the London Secretaries
Barnato Brothers Limited
99 Bishopsgate, London EC2M 3XE

Stothert & Pitt shows loss

AFTER MOVING back into the black in the second half of 1981, Stothert & Pitt ran up losses again during the six months ended December 31 1982.

At the pre-tax level the group incurred a loss of £198,000 which compares with a deficit of £829,000 for the same period last year and a surplus of £288,000 for the six months to end-June 1982.

The interim figures were struck after taking account of much lower interest charges of £331,000 (£254,000) and depreciation of £193,000 (£185,000).

Turnover edged ahead from £11.48m to £11.77m, and trading profits came through at £135,000, compared with £25,000.

There is again no interim dividend—the last payment was 1p pence for the 1979-80 year.

At the AGM last December, Sir Ralph Bateman said the group had made substantial progress in that subject to uncertainty of future demand for the contractors' plant division, there was some justification for believing that it would maintain the improving trend—the group incurred losses of £2.26m in 1980-1981.

comment

Stothert & Pitt has become accustomed over the past few years to thin times at the interim stage, as crane deliveries have tended to bulk together in the second half. So it is no surprise that the company slipped back into the red after making a small profit in the second half of its last financial year. But it still appears to be winning itself gradually out of recession by dint of cutting costs and overheads, reducing pre-tax losses by 63 per cent against the previous interim. The payment of £1.5m overdrafts from Saudi Arabia has also helped S&P achieve a 40 per cent reduction in its interest bill. Markets for contractors' plant and general engineering products remain in the doldrums, but demand for offshore cranes is showing signs of picking up following the budget's relaxation of the North Sea tax regime. Outside the UK, the company has won its first-ever order for the Norwegian sector of the North Sea, which will add around £3.5m to turnover when payments come due in 1983-84. The share price was unchanged at 69p; less than a quarter of S&P's net assets per share.

Magnet & Southern

The rights offer of 19.9m new ordinary shares by Magnet & Southern has been taken up as to 94.2 per cent, and the remainder have been sold at a premium.

Babcock profits expand by 45.6% to £20.5m

THERE WERE strong improvements in the trading profits of a number of the operating groups at Babcock International, power, mechanical, industrial and electrical, but the overall result for 1982 was impaired by losses in the North American group, the FATA group and the construction equipment business, which was sold during the year.

However, at the pre-tax level the result expanded by 45.6 per cent from £14.07m to £20.42m, while turnover reached the £1bn mark, against £865.8m.

Lack of sales volume from progressively shrinking markets was the main cause of the downturn in profitability in the North American group, although the trading loss largely reflects the costs of action taken to rationalise and reorganise some of the facilities.

Profitability was similarly lower in all the principal operations of FATA, partly due to reduced margins on work taken against fierce competition, but also significantly as a result of the collapse of their French markets, the directors point out. They state that the sale of the construction equipment businesses constituted the major feature of the plans to rationalise the activities of the group in 1982.

The sale was completed on October 1 1982, and on that date, Babcock received £9.5m cash as part payment on account. In addition, bank borrowings, by the construction side, totalling £20.5m, ceased to be a direct liability of the group.

Directors give estimated losses of £10.3m, charged as extraordinary items, on the sale, which includes £3.9m in respect of goodwill written off and £3.7m in respect of redundancy payments and the costs of implementing a reorganisation programme, planned prior to the sale.

Total extraordinary debits for 1982 amounted to £16.56m (£1.76m), which, and minority interests, left the group with an attributable loss of £4.57m, compared with profits of £5.01m.

Earnings per share are shown as 11.1p (6.1p) and the dividend is maintained at 7p net with a same-again final of 3.6p.

After charging £4.56m (£3.47m) redundancy and reorganisation costs trading profits for the year were just ahead of £26.43m, against £27.56m.

A divisional analysis of turnover and the trading surplus shows: UK power group £216.88m (£187.39m); mechanical and process plant contracting £20.94m (£16.68m); North American group £239.01m (£228.26m) and £2.05m loss (£2.63m profit); FATA European group £80.96m (£57.94m) and £626,000 loss (£3.63m profit); group miscellaneous income £399,000 (£275,000), making continuing operations £361.67m (£358.31m) and £32.77m (£30.36m); discontinued operations £50.83m (£37.48m) and £4.35m loss (£2.79m loss).

The value of uncompleted orders on hand at start of 1983 totalled £1.36bn, compared with an opening position last year of £1.26bn, which included £1.4m of orders for the businesses of Acco's industrial products group and the construction equipment group disposed of during 1982.

Several of the company's businesses entered 1983 with a substantially higher proportion of their turnover for the year

secured by firm orders than at outset of 1982, directors say.

All the boiler-related businesses have sufficient work on hand to carry them through the current year, but UK power group needs to receive another major contract to improve the loading of the Rendrew factory in 1984, they point out.

Order books of the mechanical and process plant contracting group and the Fata group improved significantly in 1982 and the contracting companies, other than the operations in North America, generally have an adequate work load.

With the exception of the process control and instrumentation operations, prospects for the businesses of the industrial and electrical products group "appear reasonably good," Babcock-Bristol has a record high order book, but a large proportion of this work falls to be completed in 1984 and later.

Recession in the U.S. caused a reduction of 43 per cent in order books of the industrial and electrical products group during 1982. "Their markets continued to decline almost to the end of the year. However, in December and again in January and February this year, there was an encouraging improvement in order intake.

In particular, the cable controls division and Keeler Brass Company enjoyed a significantly higher call-off rate from the American automobile manufacturers in these months.

In view of the financial crisis in Mexico and the continuing uncertainty in that country, the directors considered it prudent to write off completely the investments in Babcock Mexico SA de CV and its principal subsidiary, Babcock and Wilcox de Mexico SA de CV, and to make

full provision in the 1982 accounts for group's total exposure to the Mexican companies.

Formal devaluations of the peso, followed by the imposition of full exchange controls and a continuing decline in the value of the currency, "caused serious difficulties for the Mexican companies," directors state.

In May 1982, the group provided financial assistance to these companies to alleviate immediate strains on their resources resulting from the first currency devaluation. Since then, however, conditions in Mexico generally have deteriorated further. The loss taken into account totalled £10.1m, of which approximately £1m has been charged against trading profit in respect of provisions for the non-recovery of trading balances. £4.7m has been treated as extraordinary items and £4.4m, representing the exchange losses on the investment, has been deducted directly from retained earnings.

On August 20 last, a credit agreement was signed providing Acco Babcock Inc with a revolving credit facility and an irrevocable letter of credit to support issues of commercial paper notes in the American money market. Aggregate amount of credit available at any one time under these two facilities is \$35m. At the end of 1982, monies totalling \$29.2m had been drawn against these facilities and used to repay more costly short term bank borrowings.

During the past two years, the net amount of external funds employed in the group has been reduced by £70.5m. While a significant reduction in interest charges has already been achieved—down from £17.51m to

£13.85m—full benefits have still to flow through.

Contrary to the company's expectations, cash flow in 1982 did not benefit from long outstanding amounts due on the Rendrew contract in Saudi Arabia, directors point out. Although the Minister of Agriculture and Water has approved payment, the monies have still not been released by the Treasury.

comment

Babcock's 45.6 per cent increase in pre-tax profits on a mere 4.8 per cent rise in turnover reflects the benefits of three years of costly rationalisation, which saw the number of employees shrink from 38,000 to 26,400 at the end of 1982. The market was impressed, marking the shares up 5p to 138p. Write-offs during the year included £4.5m charged against trading profits, leaving the rationalisation programme nearly complete. All that remains to be disposed of is the FATA company in Brazil, with a little dead wood to be culled before the year ends.

The U.S. materials handling operations. The group's markets were uninspiring, particularly in North America, where dollar turnover slipped 11 per cent, leading to a 22m trading loss. Orders have picked up since the year end on the back of an upturn in the U.S. car industry, on which a third of Babcock's U.S. turnover depends. Taking out exceptional losses and losses from discontinued operations, the group made nearly £30m pre-tax—the very minimum analysts expect from 1982. The main cloud on the longer term horizon is the major power contract Rendrew needs to improve its loading in 1984. Gearing has eased upward trend and the directors are confident that thanks to more stringent cash management.

Interim jump for A. B. Electronic

FOR THE half year ended December 31, 1982 A. B. Electronic Products Group, electronic component and systems manufacturer, has boosted pre-tax profits from £303,000 to £306,000 and lifted the interim dividend from 2.5p to 3p net per 25p share.

With an improved overall order position, the second half is expected to show further progress.

Sales to external customers expanded to £16.55m (£11.9m) for the six months, compared with £25.69m for the whole of the previous year when pre-tax profits amounted to £1.2m. Total dividend for 1981-82 was 7.5p.

In the UK, systems and instrumentation sales showed a sharp upward trend and the manufacture of Acorn BBC microcomputers benefited substantially from the market success of the product. Traditional components business remained depressed, the directors state, with the exception of connectors for defence.

The directors say that capital expenditure has been stepped up. A 25,000 sq ft factory has been rented near Newport, Gwent, for the new Jaguar car project and other systems work. An additional building is being occupied at Camberley to extend Kenure Developments' work in defence, and it is planned to rent another factory in mid-Glamorgan to rehearse the Wolsey activities in Satellite, Cable TV and allied fields.

Pre-tax figure for the six months was after depreciation of £568,000 against £572,000 and interest paid of £207,000 (£241,000).

Net profits came through at £475,000 (£207,000) after tax of £331,000, compared with £26,000 giving basic earnings per share of 11.5p (5.1p).

The Charities Official Investment Fund

Annual Report 1982

	Value 31/12/82	% Change 1982
Income Shares	104.09p	+20.4%
Accumulation Shares	516.75p	+29.8%

Income Share dividends were increased from 12.10p to 13.10p in 1982.

• A common investment fund under a Scheme of the Charity Commissioners. Available to any charity in England & Wales.

• A Special Range investment. No division of a charity's capital required under the Trustee Investments Act.

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To: The Charities Official Investment Fund,
77 London Wall, London EC2N 1DB. (01-588 1816)

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Spirax-Sarco ahead to £8.5m despite downturn overseas

INCLUDING greater interest received Spirax-Sarco Engineering showed an increase of 15 per cent in pre-tax profits from £7.35m to £8.5m for 1982. The dividend is being lifted and Mr A. C. Brown, chairman, says that the U.S. may be emerging from recession which would benefit the group's overseas interests.

Interest receivable amounted to £1.06m against a previous charge of £25,000.

At the trading level, gains in UK profits from £3.41m to £4.17m were offset by a fall in overseas profits from £3.96m to £3.26m. Mr Brown says that in the second half UK trading conditions continued to decline. The rest of the world, led by the U.S., was also on a downward trend.

The net final dividend is being

lifted from 3p to 3.3p, making a higher total of 5p against 4.7p. Earnings per 25p share rose from 11.5p to 12.5p, before extraordinary items.

Turnover was almost 12 per cent up in sterling terms says Mr Brown, at £47.84m (£42.83m). The geographical split moved further overseas, the UK accounting for 41.5 per cent of invoiced sales (42.8 per cent). Overseas profits declined reflecting difficult trading conditions. Comparison of overseas turnover and profits is slightly affected by the reduction in sterling exchange rates.

Mr Brown says that the U.S. may now be emerging from its recent period of recession. The rest of the world should follow which would benefit the group.

Trading profitably under the

present market conditions it is evident that increased volumes of business in a recovery would improve group profits significantly, says Mr Brown.

An important step for the group is the proposed acquisition of the Sarco division of White Consolidated Industries of the U.S.—announced on March 3.

In the UK, order intake of Spirax-Sarco, which had briefly strengthened early in 1982, weakened, leaving the total for the year similar to last year. Drayton Controls (Engineering) showed a small increase, which was "excellent" under the prevailing conditions.

Group tax amounted to £3.64m against £3.06m, which included a UK charge of £2.36m (£1.36m). There was a deduction of £55,000 this time to a share ownership

scheme, and minority profits came to £204,000 (£115,000). Extraordinary debits were £37,000 compared with previous credits of £184,000. Attributable profits emerged ahead from £4.36m to £4.5m.

comment

Despite difficult trading conditions, Spirax-Sarco has managed to generate sufficient cash over the past 18 months to top up its short-term deposits to £1.6m. The bulk of the cash pile was raised by a rights issue in mid-1981 and, since then interest received has added lustre to the group's pre-tax profit performance. But this year Spirax has found an alternative for its funds in the shape of the proposed £20m acquisition of the U.S.-based Sarco division of White Consolidated Industries.

The takeover, which has yet to be approved in terms of U.S. antitrust legislation, could add 30 per cent to Spirax's annual turnover and more than 40 per cent to overall trading profits. This time, however, the Sarco division will not contribute for the full year. Additional borrowings this year will present no problem, since year-end gearing was a low 11 per cent. But the cash pile will be used to partly fund the acquisition and the gloss provided by interest receipts will disappear. Even so, Spirax's fluid control business has proved resilient against the recessionary background of recent years and the trading performance is likely to remain sound. The bright results pushed the shares up 2p to 210p for a fully taxed historic p/e of 18.9 and a yield of 3.5 per cent.

THE NEW DRIVE BEHIND LANCIA

This year marks a new start for Lancia motor cars in the UK. Now, the Heron Corporation will be sole concessionaires for Lancia.

Our aim is simple: to supply the most exciting, stylish range of motor cars in the UK and support them with a superior dealer network.

This year alone will see the introduction of three new models in addition to the highly successful Delta.

There's the new Lancia

Prisma due in early summer. A medium-sized saloon which we believe will be the most stylish car at the price.

Or if out and out performance is important to you, you'll be delighted to see what's happening to the Coupe and HPE.

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With models like these, management like ours and a strong dealer network, you'll be seeing abundant proof of our claim that Lancias are The Driving Sensation.

THE DRIVING SENSATION.

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SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Thursday March 31 1983

Crude oil futures
markets get
under way, Page 35

WALL STREET Divergent response to indicators

A DOWNWARD move in credit market yields during the first hour of Wall Street trading was reversed following a sharp increase in the Federal Funds rate and the announcement of a sharp rise in the Commerce Department's leading economic indicators for February, writes Terry Byland in New York.

The share market was encouraged by the continued growth in the U.S. economy and at the close the Dow Jones Industrial average was up 12.10 at 1143.29. Trading, however, remained moderate.

The Government bond markets showed a more relaxed view of interest rates in the absence of any moves by the Federal Reserve in the wake of this week's meeting of its Open Market committee.

Also helping the credit market at first was the belief that the economic rebound in the U.S. might be losing a little of its vigour - sales of single family houses fell 5.9 per cent in February. But the mood changed following the news of the rise in February's economic indicators, which was larger than expected, and by a jump in the Federal Funds rate to 9%.

The discount rate on the six month Treasury bill recovered from an early fall and moved up to 8.56 per cent. Three month bills, two basis points lower at one time, edged higher at 8.63 per cent.

The benchmark long bond, the Treasury 10% per cent of 2012, at 97 1/2 was a touch lower on the day after rising initially to 97 3/4.

Share prices rallied from their three-day run of falls but buying was highly selective. The news of continued growth in the economy again focussed attention on the high technology sectors considered likely to lead the way forward.

It was confirmed towards the close that a block of 5.4m shares in RCA had been traded at \$23 1/4, half a point under the market price. The deal, worth \$127.5m, was the largest in terms of value ever recorded on the New York stock exchange. The market believed the block had been sold by Allied Corporation which acquired 5m RCA shares in its takeover of Bendix.

Chrysler continued to trade busily in the wake of the successful placing on Tuesday of 26m shares. At \$16 1/4 in yesterday's market, the stock was changing hands above the issue level and underlying support was indicated by a block deal, also at \$16 1/4.

Airlines stocks looked mixed on reports of an agreement to end price discounting, which has been the bane of industry profits. Pan American, believed to be unwilling to participate in the new agreement, languished at \$5 1/4, unchanged from overnight.

Shares in Paradyne picked up by 3 1/4

to \$27 1/4 in active trading following the board's rebuttal of Securities and Exchange Commission allegations. Waste Management regained one point of its recent loss to reach \$43 1/4.

But Baldwin-United upset the market further by disclosing that last year's profits will be substantially below forecast and the shares lost a further \$2 1/4 to \$12 1/4.

In the insurance sector, shares in American General and in Gulf United were suspended following the announcement of a \$1bn plus merger plan.

In Montreal stocks rose slightly across a broad front with the main advances posted by banks and papers. Strong gains in golds and oil and gas stocks marked a general improvement in Toronto.

FAR EAST Speculatives take Tokyo higher still

LEADERSHIP of the continuing Tokyo advance passed yesterday to second-line industrials and speculatives, although blue chips received some late impetus from confirmation that the Japanese Government would next week put forward a nine-point package to stimulate the economy.

Monetary policy is expected to be eased and advantage taken of lower world oil prices. An immediate cut in the official discount rate is by no means assured, however, after Mr Haruo Maekawa, governor of the Bank of Japan, reiterated that the yen remains unstable and undervalued against the dollar.

A Daiwa Securities analyst said some consolidation in the market might begin to set in but, with interest centred on bargain issues which would benefit from cheaper oil, he did not expect any severe downward correction.

Dealers noted that some of the activity might reflect an artificial attempt to keep share prices high until the end of the fiscal year today - also the business year-end for many concerns, which would thus be able to show a high value of holdings in balance sheets.

The Nikkei-Dow Jones market average moved up a further 22.48 to a new high of 8,446.61, its seventh record close in nine trading sessions. Turnover was a busy 500m shares compared with Tuesday's 410m, and the stock exchange index added 1.25 to 610.28.

Keisei Electric Railway, a speculator's favourite, picked up an active Y11 to Y445. Other major gainers were Mitsu and Co, ahead Y18 to Y412 also in active dealings; Fuji Photo Film, up Y30 to Y1,770; and Daiwa Securities, Y23 stronger at Y491.

The recently favoured Nippon Express was again volume leader, on 34.48m shares, but slipped Y1 to Y217.

Foreign interest was identified in Citizen Watch, which touched a record Y389 before returning to Y380, up at net Y3.

Government bond prices continued their cautious decline as the yen failed substantially to improve.

The long-awaited string of 1982 corporate results came after the Hong Kong close, and prices finished quietly steady on sporadic local buying. The Hang Seng index wound up the half-day mid-week session 2.98 to the good at 982.54.

Of the major companies reporting, the biggest move was shown by Jardine Matheson, up 30 cents to HK\$13.90 in anticipation of its relatively strong output.

Hongkong Land, with which it maintains cross-holdings of about 40 per cent, plunged into loss after large-scale write-downs on projects likely to be abandoned. Its stock held steady ahead of the news at HK\$4.17.

Great Eagle, yet another on the results list, shed four cents to 84 cents after news of a loss by Regal Hotels, its subsidiary, which itself was four cents lower at 29 cents.

A late buying surge in Singapore was triggered in part by a 27 per cent devaluation of the Indonesian rupiah, which prompted a move of Indonesian funds into the market. The Straits Times Industrial Index was 11.85 ahead at 851.01.

Properties were higher, with gains of 25 cents for Selangor at S\$5.55 and 10 cents for UOL at S\$3.40. Banks also did well, particularly Malay Banking which added 30 cents to S\$7.45.

SOUTH AFRICA Firm response

A FIRMER undertone developed among leading Johannesburg industrials as Mr Owen Horwood, the Finance Minister, began to unveil his budget proposals amid healthy February trade figures.

Golds attracted strong demand as the bullion price strengthened, and gains ranged to R2.50 for Buffels, at R53. In mining financials, Anglo-American added 40 cents to R20.40, Amgold 50 cents to R119 and De Beers 25 cents to R8.50.

Elsewhere, Rennie and Unisec improved 10 cents apiece to R9 and R4.50 respectively. Banks were favoured.

EUROPE Downturn difficult to shake off

MANY of the bourses closed firmer yesterday after the previous day's heavy profit-taking, but the depressing influence of Tuesday's downturn on Wall Street held sway in some centres. Trading was for the most part very light ahead of the Easter holiday.

Banks, which had sustained some of the heaviest losses in Frankfurt a day earlier, led a rally of blue chip issues. Deutsche Bank, which had shed DM 8.90 on Tuesday, partly on disappointment at its modest DM 1 dividend increase, regained DM 7.90 to close at DM 321 after announcing a 30 per cent jump in operating earnings.

Hopes of an increased dividend lifted BHF Bank DM 9.50 to DM 274.70, but gains by Dresdner and Commerzbank were more modest.

Most industry sectors featured in a broad upswing fuelled by optimism over U.S. interest rates and a weaker dollar, and bargain hunting by foreign investors at the lower levels gave an added boost.

In metals, Metallgesellschaft put on DM 4 to DM 234 ahead of the announcement of heavy losses for 1982 and despite its decision to pay no dividend. Degussa rose 4.5 to DM 262.5 on a forecast of higher sales this year.

Domestic bond prices finished mainly higher. The Bundesbank sold DM 14.6m of public paper, after having to buy DM 68.2m the previous day.

In Amsterdam, a modest recovery in the afternoon was not enough to make up for a weak opening, in which many stocks extended the losses they had suffered in the previous two days.

Both domestic and foreign stocks turned lower in a quiet Brussels market. Holding companies declined further, with Societe Generale dropping Bfr 65 to Bfr 1,560 after announcing an unchanged dividend and a turnaround to unspecified profits in 1982.

Profit-taking negated early rises in Paris where Wall Street's weakness was

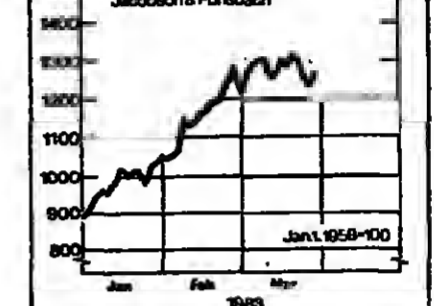
the major factor in hesitant trading. Metals were the biggest losers while banks, foods, construction, electricals and oils posted modest gains.

Renewed optimism over interest rates left prices firmer after heavy trading in Zurich. Leading the rally were banks and recently neglected blue chip stocks, according to dealers.

Expectations that the Italian Banking Association would cut its recommended prime rate by half a point to 19.5 per cent had little effect in Milan. But prices closed generally higher in active trading.

Prices continued to recover strongly in moderate trading in Stockholm. Major gainers were Asea, up SKr 15 to SKr 550, and Volvo, which put on SKr 12 at SKr 400.

Prices were mixed in thin trading in Madrid, where small rises in bank stocks and for the monopoly, Telefonica, were features.



AUSTRALIA Mines sought

RENEWED investment demand emerged for leading Sydney mining issues as commodity prices firmed, providing a higher finish in moderately active trading, although advances kept on a slender overall edge on declines.

BHP rose 20 cents to A\$6.64 and MIM 10 cents to A\$4.15.

Bid activity dominated the industrials. Retailer Grace Bros added 15 cents to A\$3.65 ahead of a Bond Holdings offer at an effective A\$4.06. Bond was unchanged at A\$1.01.

Golds held steady in Melbourne on subdued turnover.

LONDON Credit anxieties cooled

A LESSENING of pressure for an increase in bank lending rates - which came as short-term money market rates turned down yesterday - was an important, but not the only, reason encouraging revived London investment in government stocks.

Other major influences included comments by Mr Donald Regan, the U.S. Treasury Secretary, cooling recent anxieties about rates there and the Federal Reserve's monetary policy, coupled with sterling's improved trend yesterday after the long-awaited announcement of BNO's price proposals.

Gift-edged securities rose throughout the session and longer-dated issues had gains stretching to over a point. Demand was sufficient in the existing thin conditions to warrant the better tone.

Equity markets were in no mood to respond to the receding possibility of base rate rises after sentiment had been dampened within minutes of the opening bell by Bowater's announcement of a surprise dividend cut and poor results.

In the wake of Bowater, down to 145p before recovering strongly to 163p for a net fall of 9p, leading shares slipped lower.

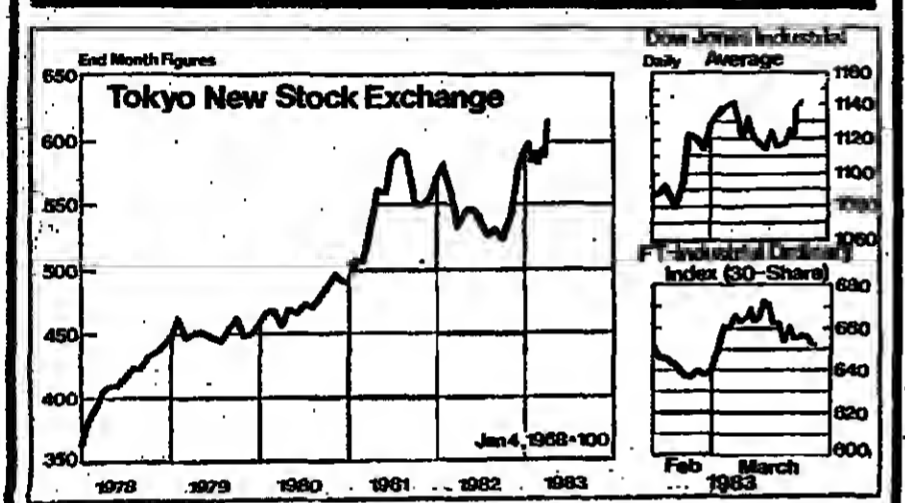
The FT Industrial Ordinary share index closed 1.1 off at 651.0, the session's best.

Standard Chartered's surprise £101m proposed rights issue depressed the shares to 450p before a close of 24p down at 456p. The announcement undermined sentiment in the major clearing banks. Natwest fell 13p to 552p and Barclays 10p to 450p, as did Lloyds to 480p, while Midland ended 8p off at 362p.

A South African budget that was largely regarded as neutral to mildly bullish, prompted strong gains throughout South African mining issues.

London financials were unsettled by initial losses in UK equities but regained their poise. Share information service, pages 36-37

KEY MARKET MONITORS



NEW YORK	March 30	Previous	Year ago
DJ Industrials	1143.29	1131.19	824.49
DJ Transport	512.63	508.02	335.15
DJ Utilities	124.82	125.05	108.33
S&P Composite	192.36	191.59	112.27

LONDON	March 30	Previous	Year ago
FT Ind Ord	651.0	652.1	568.5
FT-A All-share	407.64	410.11	326.80
FT-A 500	439.56	442.45	350.08
FT-A Ind	411.59	414.79	320.69
FT Gold mines	546.1	531.5	246.7
FT Govt sec's	80.50	79.93	68.93

TOKYO	March 30	Previous	Year ago
Nikkei-Dow	8446.61	8424.13	7193.91
Tokyo SE	618.29	615.04	529.91

AUSTRALIA	March 30	Previous	Year ago
All Ord.	508.9	506.9	463.3
Metals & Mins.	462.9	456.9	324.5

AUSTRIA	March 30	Previous	Year ago
Credit Aktien	53.39	53.75	53.56

BEIJING	March 30	Previous	Year ago
Belgian SE	115.46	115.88	99.57

CANADA	March 30	Previous	Year ago
Toronto Composite	2126.5	2122.4	1595.5
Montreal Industrials	355.45	354.83	281.39
Combined	352.45	351.76	269.05

DENMARK	March 30	Previous	Year ago
Copenhagen SE	133.21	134.08	94.37

FRANCE	March 30	Previous	Year ago
CAC Gen	114.6	114.5	104.8
Ind. Tendance	122.10	122.0	116.2

WEST GERMANY	March 30	Previous	Year ago
FAZ-Aktien	297.0	296.02	235.71
Commerzbank	895.0	890.80	719.1

HONG KONG	March 30	Previous	Year ago
Hang Seng	982.54	979.56	1167.18

ITALY	March 30	Previous	Year ago
Borsa Com.	212.69	210.78	207.06

NETHERLANDS	March 30	Previous	Year ago
ANP-CBS Gen	124.1	124.8	90.5
ANP-CBS Ind	108.7	107.7	72.6

NORWAY	March 30	Previous	Year ago
Osto SE	153.63	152.49	99.23

SINGAPORE	March 30	Previous	Year ago
Straits Times	851.01	839.18	722.57

SOUTH AFRICA	March 30	Previous	Year ago
Gold	731.8	702.1	451.5
Industrials	630.1	629.4	566.5

SPAIN	March 30	Previous	Year ago
Madrid SE	112.37	112.26	129.92

SWEDEN	March 30	Previous	Year ago
J & P	1269.40	1255.87	597.52

SWITZERLAND	March 30	Previous	Year ago
Swiss Bank Ind	313.3	311.6	254.9

WORLD	March 29	Previous	Year ago
Capital Int'l	164.3	164.8	131.0

GOLD (per ounce)	March 30	Previous	Year ago
London	\$414.00	\$414.00	\$414.00
Frankfurt	\$418.00	\$412.75	\$412.75
Zurich	\$417.75	\$414.50	\$414.50
Paris (filing)	\$417.15	\$413.80	\$413.80
New York (April)	\$413.20	\$415.90	\$415.90

* Indicates latest pre-close figure

FOREX

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month	Stock	Dr. Yld. P/E	100% High	Low	Open	Close	Dr. Yld. P/E	100% High	Low	Open	Close
12 Month	IBM	10.2	100.0	95.0	98.0	98.0	10.2	100.0	95.0	98.0	98.0
12 Month	Microsoft	15.0	150.0	140.0	145.0	145.0	15.0	150.0	140.0	145.0	145.0
12 Month	Apple	12.0	120.0	110.0	115.0	115.0	12.0	120.0	110.0	115.0	115.0
12 Month	Oracle	18.0	180.0	170.0	175.0	175.0	18.0	180.0	170.0	175.0	175.0
12 Month	Unisys	14.0	140.0	130.0	135.0	135.0	14.0	140.0	130.0	135.0	135.0
12 Month	Qatar	11.0	110.0	100.0	105.0	105.0	11.0	110.0	100.0	105.0	105.0
12 Month	IBM	10.2	100.0	95.0	98.0	98.0	10.2	100.0	95.0	98.0	98.0
12 Month	Microsoft	15.0	150.0	140.0	145.0	145.0	15.0	150.0	140.0	145.0	145.0
12 Month	Apple	12.0	120.0	110.0	115.0	115.0	12.0	120.0	110.0	115.0	115.0
12 Month	Oracle	18.0	180.0	170.0	175.0	175.0	18.0	180.0	170.0	175.0	175.0
12 Month	Unisys	14.0	140.0	130.0	135.0	135.0	14.0	140.0	130.0	135.0	135.0
12 Month	Qatar	11.0	110.0	100.0	105.0	105.0	11.0	110.0	100.0	105.0	105.0

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month	Stock	Dr. Yld. P/E	100% High	Low	Open	Close	Dr. Yld. P/E	100% High	Low	Open	Close
12 Month	IBM	10.2	100.0	95.0	98.0	98.0	10.2	100.0	95.0	98.0	98.0
12 Month	Microsoft	15.0	150.0	140.0	145.0	145.0	15.0	150.0	140.0	145.0	145.0
12 Month	Apple	12.0	120.0	110.0	115.0	115.0	12.0	120.0	110.0	115.0	115.0
12 Month	Oracle	18.0	180.0	170.0	175.0	175.0	18.0	180.0	170.0	175.0	175.0
12 Month	Unisys	14.0	140.0	130.0	135.0	135.0	14.0	140.0	130.0	135.0	135.0
12 Month	Qatar	11.0	110.0	100.0	105.0	105.0	11.0	110.0	100.0	105.0	105.0
12 Month	IBM	10.2	100.0	95.0	98.0	98.0	10.2	100.0	95.0	98.0	98.0
12 Month	Microsoft	15.0	150.0	140.0	145.0	145.0	15.0	150.0	140.0	145.0	145.0
12 Month	Apple	12.0	120.0	110.0	115.0	115.0	12.0	120.0	110.0	115.0	115.0
12 Month	Oracle	18.0	180.0	170.0	175.0	175.0	18.0	180.0	170.0	175.0	175.0
12 Month	Unisys	14.0	140.0	130.0	135.0	135.0	14.0	140.0	130.0	135.0	135.0
12 Month	Qatar	11.0	110.0	100.0	105.0	105.0	11.0	110.0	100.0	105.0	105.0

Continued on Page 34

Notes: Figures are unofficial. Yearly high and low reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25% or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra; b-dividend rate of dividend plus stock dividend; c-dividend declared after split; d-dividend declared after split-up or stock dividend; e-dividend declared after split-up or stock dividend; f-dividend declared after split-up or stock dividend; g-dividend declared after split-up or stock dividend; h-dividend declared after split-up or stock dividend; i-dividend declared after split-up or stock dividend; j-dividend declared after split-up or stock dividend; k-dividend declared after split-up or stock dividend; l-dividend declared after split-up or stock dividend; m-dividend declared after split-up or stock dividend; n-dividend declared after split-up or stock dividend; o-dividend declared after split-up or stock dividend; p-dividend declared after split-up or stock dividend; q-dividend declared after split-up or stock dividend; r-dividend declared after split-up or stock dividend; s-dividend declared after split-up or stock dividend; t-dividend declared after split-up or stock dividend; u-dividend declared after split-up or stock dividend; v-dividend declared after split-up or stock dividend; w-dividend declared after split-up or stock dividend; x-dividend declared after split-up or stock dividend; y-dividend declared after split-up or stock dividend; z-dividend declared after split-up or stock dividend.

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MINES—Continued									
Central African									
Symbol	Lot	Stock	Price	%	Div.	Yld.	Div.	Yld.	Yld.
10	10	Palomares Inc. 25%	250	19	0.00	1.8	0.0	0.0	0.0
11	11	Zam. Corp. SMO 24	19	10	0.00	1.8	0.0	0.0	0.0
12	12	Zam. Corp. SMO 24	19	10	0.00	1.8	0.0	0.0	0.0
Australians									
13	13	WACOM 20%	35	12	—	—	—	—	—
14	14	WACOM 20%	35	12	—	—	—	—	—
15	15	WACOM 20%	35	12	—	—	—	—	—
16	16	WACOM 20%	35	12	—	—	—	—	—
17	17	WACOM 20%	35	12	—	—	—	—	—
18	18	WACOM 20%	35	12	—	—	—	—	—
19	19	WACOM 20%	35	12	—	—	—	—	—
20	20	WACOM 20%	35	12	—	—	—	—	—
21	21	WACOM 20%	35	12	—	—	—	—	—
22	22	WACOM 20%	35	12	—	—	—	—	—
23	23	WACOM 20%	35	12	—	—	—	—	—
24	24	WACOM 20%	35	12	—	—	—	—	—
25	25	WACOM 20%	35	12	—	—	—	—	—
26	26	WACOM 20%	35	12	—	—	—	—	—
27	27	WACOM 20%	35	12	—	—	—	—	—
28	28	WACOM 20%	35	12	—	—	—	—	—
29	29	WACOM 20%	35	12	—	—	—	—	—
30	30	WACOM 20%	35	12	—	—	—	—	—
31	31	WACOM 20%	35	12	—	—	—	—	—
32	32	WACOM 20%	35	12	—	—	—	—	—
33	33	WACOM 20%	35	12	—	—	—	—	—
34	34	WACOM 20%	35	12	—	—	—	—	—
35	35	WACOM 20%	35	12	—	—	—	—	—
36	36	WACOM 20%	35	12	—	—	—	—	—
37	37	WACOM 20%	35	12	—	—	—	—	—
38	38	WACOM 20%	35	12	—	—	—	—	—
39	39	WACOM 20%	35	12	—	—	—	—	—
40	40	WACOM 20%	35	12	—	—	—	—	—
41	41	WACOM 20%	35	12	—	—	—	—	—
42	42	WACOM 20%	35	12	—	—	—	—	—
43	43	WACOM 20%	35	12	—	—	—	—	—
44	44	WACOM 20%	35	12	—	—	—	—	—
45	45	WACOM 20%	35	12	—	—	—	—	—
46	46	WACOM 20%	35	12	—	—	—	—	—
47	47	WACOM 20%	35	12	—	—	—	—	—
48	48	WACOM 20%	35	12	—	—	—	—	—
49	49	WACOM 20%	35	12	—	—	—	—	—
50	50	WAC							

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